



<b>REPORT TO:</b>	Cabinet
<b>DATE:</b>	Tuesday, 15 November 2022
<b>SUBJECT:</b>	Local Council Tax Support Scheme (Consultation) 23/24
<b>PURPOSE:</b>	To consider options for the local Council Tax Support scheme for 2023/24
<b>KEY DECISION:</b>	N
<b>PORTFOLIO HOLDER:</b>	Portfolio Holder for Finance, Commercialisation & Partnerships
<b>REPORT OF:</b>	Christine Marshall, Deputy Chief Executive - Corporate Development (S151)
<b>REPORT AUTHOR:</b>	Sharon Hammond, Head of Revenues and Benefits (PSPS)
<b>WARD(S) AFFECTED:</b>	All
<b>EXEMPT REPORT?</b>	N

#### **SUMMARY**

The council is required to review its local Council Tax Support scheme each year and consult on its scheme proposals for the forthcoming year.

This report provides an update on the current scheme and expenditure and seeks Cabinet approval to consult on proposals for 2023/24.

#### **RECOMMENDATIONS**

That Cabinet approves consultation for: -

- a) Continuation of the current core principles of the Council Tax Support scheme, including uprating in line with DWP's annual update of allowances and premiums for 2023/24, and
- b) Use the consultation process to seek views on increasing the maximum amount of Council Tax Support.

## **REASONS FOR RECOMMENDATIONS**

This will continue to align the CTS scheme and uprating for working age customers with DWP provisions for Housing Benefit and the CTS scheme for pensioners. This has been consistent each year since the introduction of the local scheme.

Seeking views on increasing the level of support for working age customers is timely given the current economic climate.

## **OTHER OPTIONS CONSIDERED**

The 'do nothing' option was considered, which would see the current scheme retained, uprated in line with an earlier decision of Council.

## **1. BACKGROUND**

- 1.1 Each year the Council is required to consider whether to revise its local Council Tax Support (CTS) scheme. This report advises Cabinet about the conclusion of the 2022 annual review and the resultant proposals for consultation in respect of the 2023/24 scheme.
- 1.2 The Local Government Finance Act 2012 sets out the process by which Councils must approve a local Council Tax Support scheme. Regulations include protection for pensioners but allow Councils to make changes in the way that support is calculated for working age claimants.
- 1.3 The scheme for Working Age claimants is determined locally, however the Government set out its expectations for local authorities to protect the vulnerable and for schemes to support incentives to work.
- 1.4 Where Councils seek to amend their scheme, it is necessary to consult major preceptors and stakeholders to inform a final scheme design.
- 1.5 The current South Holland scheme provides a maximum amount of 70% support for working age claimants. It protects War Pensioners, and, from 2019/20, a new class was introduced for Care Leavers aged 18-21.
- 1.6 A number of changes have been introduced in recent years, summarised below for information: -
  - Second Adult Rebate has been removed (introduced 2017/18)
  - A minimum level of Council Tax Support at £5 per week (introduced 2017/18)
  - Non-dependant deductions increased by 10% (introduced 2017/18)
  - Council Tax Support restricted to Band D Council Tax Liability (introduced 2017/18)
  - Capital Limit reduced to £8,000 (introduced 2017/18)
  - Lower capital threshold reduced to £3,000 (introduced 2017/18)
  - Remove family premium from new claims made (introduced 2017/18)

- Backdating reduced to 1 month (introduced 2017/18)
- Care Leavers as a class in the scheme (introduced 2019/20)
- UC claims are automatically classed as claims for CTS, removing requirement for a separate CTS claim (introduced 2020/21)
- UC earnings tolerance rule of £15 per week (£65 month) (introduced 2020/21)
- Backdating for working age up to 3 months (reintroduced 2021/22)

From 2021/22 a provision was made in the local scheme to disregard national schemes introduced during a financial year in the calculation of support.

## 2. 2022/23 SCHEME REVIEW

2.1. In 2013/14, the amount of Government grant available to meet the cost of any support was reduced by approximately 10% nationally, although at a local level this equated to an 11.4% cut. From 2014/15 the Government grant has been subsumed within the Revenues Support Grant and is not separately identifiable.

2.2. At 31 May 2022 the amount of CTS discount awarded for 2022/23 was £4,391,217. This reflects the increased CTS take-up as a result of the COVID-19 impact. The following table demonstrates how scheme expenditure has changed over the past six years.

Year	Cost of CTS scheme £	Difference between years
2017/18	4,026,206	
2018/19	3,971,364	-1.36%
2019/20	4,013,820	1.07%
2020/21	4,309,431	7.36%
2021/22	4,353,865	1.03%
2022/23 (to 31 May 2022)	4,391,217	0.85%

2.3. It remains difficult to forecast caseload and expenditure with any degree of certainty in the current economic climate.

2.4. The table below shows the profile of Council Tax Support caseload and expenditure as at May 2022. The cost to South Holland being approximately £439k (10%).

	Total Claims	Percentage	2021/22 CTS Expenditure
<b>All Groups</b>	<b>4,976</b>		<b>4,391,217</b>
Elderly	2,603	52.3%	2,608,801
Working Age	2,373	47.7%	1,782,416

2.5. 2022/23 is the tenth year of the local Council Tax Support scheme. The following table compares in-year collection rates since introduction of the changes in 2013/14. (2012/13 in-year collection performance is also shown for information). Over this period, the level of

support provided to working age claimants has reduced from 91.5% in 2013/14 to 75% in 2014/15 and then 70% from 2017/18.

<b>Date</b>	<b>Collectable Debit</b>	<b>In-Year Collection Rate</b>
2012/13	£35.4m	97.90%
2013/14	£36.7m	97.94%
2014/15	£37.8m	97.86%
2015/16	£39.1m	98.05%
2016/17	£41.1m	98.19%
2017/18	£43.3m	98.06%
2018/19	£46.2m	97.83%
2019/20	£48.5m	97.63%
2020/21	£51.5m	96.91%
2021/22	£54.4m	96.91%

- 2.6 In-year collection rate continued to be impacted by Covid, despite this, over £2.8million more Council Tax was collected in 2021/22.
- 2.7 Collection and recovery has been impacted as a result of the covid pandemic with disruption and delays to recovery in 2020/21 having a knock-on effect into 2021/22 and subsequent years as more arrears were brought forward. Usual statutory recovery processes are back in place. Whilst recovery and collection continue beyond the end of the year in question, the prospect of recovery reduces. The current cost of living and energy cost crises are a further risk to collection and recovery. A provision for bad debt has been made.
- 2.8 The Local Government Finance Act 2012 and subsequent regulations granted billing authorities greater discretion over discounts and exemptions for certain categories of empty dwelling from 1<sup>st</sup> April 2013. Changes were introduced by SHDC from 1<sup>st</sup> April 2013 which increase the council tax base and potential revenue, helping to fill the funding gap arising from the cut to grant in respect of CTS. From 1 April 2019, premium Council Tax is charged, to the maximum levels permitted in legislation, on dwellings which are empty, unoccupied and unfurnished for more than 2 years.

### **3 CURRENT ECONOMIC POSITION**

#### **Cost of Living**

- 3.1 As part of this years' review, there is recognition of the cost of living and energy cost crises, and the uncertainty and difficulties that households are experiencing.
- 3.2 We are likely to see fluctuations in numbers of CTS claimants, potentially increasing with the prospect of a recession, and the subsequent increased demand for benefits and local support for low-income households.
- 3.3 Any change to a CTS scheme must be considered alongside wider challenges faced by local authorities; the need to strike a balance between a local fair and affordable CTS scheme which provides support to those in most need, and the cost of the scheme to all residents is essential. As such, the importance of maintaining current levels of support, providing consistency and continuity for customers, has been a priority consideration in the proposals for the next financial year.

## **Further Support**

- 3.4 In addition to the local CTS scheme, the council has discretionary powers to award one-off Council Tax discounts to support households where there are exceptional personal circumstances or hardship. In line with local policy, applications are determined on a case-by-case basis, therefore ensuring due consideration is given to the unique circumstances of the applicant. It is anticipated, due to the current crises, that the council may see greater demand on the discretionary scheme.
- 3.5 SHDC provides information on a range of wider support schemes which are delivered by, or signposted by, the council. Full details are published, and maintained, on the website and include the current Household Support Fund schemes.
- 3.6 People who are struggling to pay their Council Tax are encouraged to make contact with the council. This helps to ensure households are receiving any discounts and reductions that they may be eligible for. Alternative payment arrangements can also be made, for example helping with frequency of payment, or extending over a longer period.
- 3.7 By the end of November, a share of a discretionary Energy Rebate fund of £131,250 will be distributed to eligible low income / benefit households.

## **4. ESTABLISHING A COUNCIL TAX SUPPORT SCHEME FOR 2023/24**

- 4.1 For each financial year, the billing authority must consider whether to revise its scheme or replace it with another scheme. Council Tax Support schemes cannot be changed mid-year.
- 4.2 The Local Government Finance Act requires that before a scheme can be adopted by the billing authority, it must: -
  - 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.
- 4.3 Each year since its introduction, as part of its decision-making process for the forthcoming year, the Council has resolved to uprate its scheme in line with Department for Work and Pensions (DWP) annual update of allowances and premiums for Housing Benefit. Full Council agreed at its meeting on 22 January 2020 that the decision for 2020/21 would also apply to future years. The 2023/24 DWP revisions could therefore be applied to SHDC's 2023/24 scheme without a further decision being necessary.
- 4.4 The unprecedented position as a result of the Covid-19 pandemic, and now the cost of living and energy cost crises, presents financial impacts on both the council and its residents. The current Council Tax Support scheme is familiar to our customers and is relatively stable. It is considered that this may not be the right time to make fundamental changes, and indeed maintaining the current scheme for 2023/24 would help those working age claimants maintain consistency at a time when they may be facing other personal and financial changes and challenges. Also, any scheme modelling and forecasting at this time using current data and

information may not provide a reliable picture of the longer-term claimant profile and caseload.

- 4.5 Since 2017, South Holland's scheme has required working age households to meet at least 30% of their Council Tax liability, with 70% being funded through CTS. In recognition of the impact on lower income households of the current cost of living and energy rebate crises, there is the opportunity to consult on whether the maximum level of support should be increased from 70%. If this were to be increased by 5% to 75%, the cost would be in the region of £89k, of which around £8.9k (10%) would be met by SHDC.
- 4.6 As part of its energy support package, the government has given all billing authorities a share of £144m discretionary funding to support households who are in need. South Holland's share of this fund is £131,250. Scheme criteria is being developed and will provide additional support to the most vulnerable.

## **5. OPTIONS**

- 5.1 Consult on the proposal to retain the current scheme, updated in line with DWP uprating's for 2023/24 and to seek views on increasing the maximum level of support.
- 5.2 Retain the current scheme without uprating.
- 5.3 Do nothing – retain the current scheme with uprating (relying on the Council decision from January 2020)

## **6 THE TIME FOR FUNDAMENTAL REVIEW?**

- 6.1 SHDC continues to base its scheme, with some adjustments, on the previous means tested national Council Tax Benefit (CTB) scheme as the basis of awarding support. As welfare reform has moved on and recognising the substantial shift of claimants to Universal Credit, it may be timely to consider options for the future, which could simplify the scheme for customers and be more relevant to the current times.
- 6.2 The maximum level of support provided by SHDC is 70% leaving all working age claimant households a minimum of 30% of their Council Tax to pay. In the event of non-payment, whilst enforcement actions are available, the remedy for benefit households is insufficient to clear the debt in-year, resulting in escalation year on year. For example, a household in Band B in Holbeach receiving 70% support will be required to pay £8.88 per week. If that claimant is on a relevant DWP benefit, income from an attachment of benefit would be £3.75 per week, leaving a weekly shortfall of £5.13, which will be carried forward to future financial years.
- 6.3 A fundamental review of the scheme would provide the opportunity to consider the overall level of CTS support, and how it is distributed to support claimant groups. This may explore the possibility of different levels of award for different needs and/or household types. Changes that reduce evidence requirements can speed up the claims process and reduce the potential for claim adjustments, in turn simplifying the process and improving the customer experience.

- 6.4 As responsibility passed to billing authorities to determine their own local scheme, perhaps not surprisingly whilst there are some similarities, there is no single standard approach, and schemes vary from authority to authority. In recent years however, a number of councils have moved away from the previous Council Tax Benefit based approach. By way of example, analysis of 2022/23 CTS schemes across England reveals that around a quarter of all schemes are now income banded.
- 6.5 Any fundamental review would need to be carefully planned, and have particular regard to ensuring there are no unintended consequences for claimants. For this reason, any such review should be built around an adequate timeframe that ensures full and robust data modelling and development of options, full consultation, and with clarity on the objectives for the scheme from the outset.
- 6.6 Whilst administrative saving alone is unlikely to be the key driver for a fundamental scheme review and change, there may be potential for improved administration efficiency through simplification and increased automation as secondary outcomes.

## **7. CONCLUSION**

- 7.1 Consideration has been given as part of the review to the economic climate, and the cost of the current CTS scheme which must remain affordable. The recommendation to consult on continuation of core scheme principles, updated, will at least maintain the current level of support for working age claimants, including uprating of amounts in line with DWP. The proposal to consult on increasing the maximum level of support will provide views for Cabinet consideration as part of the final decision making process for the 2023/24 scheme.

## **8. EXPECTED BENEFITS TO THE PARTNERSHIP**

- 8.1 Although it is recognised that each council must determine its own local council tax scheme, both East Lindsey and Boston have maximum support levels of 75%. If, following consultation, South Holland decides to increase the support by 5%, this would align the Councils schemes in so far as the maximum levels of support for low income and benefit working age households.

## **9. IMPLICATIONS**

### **9.1 SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP**

- 9.1.1 None.

### **9.2 CORPORATE PRIORITIES**

- 9.2.1 None.

### **9.3 STAFFING**

- 9.3.1 None

### **9.4 CONSTITUTIONAL AND LEGAL IMPLICATIONS**

- 9.4.1 There are no legal implications as this report relates to consultation.

## **9.5 DATA PROTECTION**

9.5.1 None

## **9.6 FINANCIAL**

9.6.1 There are no financial implications as a direct result of this report which is seeking approval to consult on options. Following consultation, a further report will be brought back to Cabinet for a final scheme decision.

In terms of the recommendations for consultation, continuation of the scheme, updated, would not significantly affect the cost of the current scheme. The cost of a 5% increase in the maximum level of support for working age claimants would increase expenditure (based on current caseload and make-up) by around £89k, of which around £8.9k would be borne by SHDC.

The cost of the scheme is shared with major preceptors as it forms part of the collection fund.

## **9.7 RISK MANAGEMENT**

9.7.1 None

## **9.8 STAKEHOLDER / CONSULTATION / TIMESCALES**

9.8.1 Consultation will be carried out if Cabinet agree the recommendation.

## **9.9 REPUTATION**

9.9.1 None

## **9.10 CONTRACTS**

9.10.1 None

## **9.11 CRIME AND DISORDER**

9.11.1 None

## **9.12 EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING**

9.12.1 The existing Council Tax Support scheme continues to be delivered on the basis of the DWP's previous Council Tax Benefit scheme regarding protection for vulnerable groups, including children and the disabled. An equality impact assessment is not considered necessary at this time.

## **9.13 HEALTH AND WELL BEING**

9.13.1 None

## **9.14 CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

9.14.1 None

## **9.15 LINKS TO 12 MISSIONS IN THE LEVELLING UP WHITE PAPER**

9.15.1 None

## **10. ACRONYMS**

10.1 CTS: Council Tax Support



DWP: Department for Work and Pensions

UC: Universal Credit

#### **APPENDICES**

*None*

#### **BACKGROUND PAPERS**

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

#### **CHRONOLOGICAL HISTORY OF THIS REPORT**

A report on this item has not been previously considered by a Council body.

#### **REPORT APPROVAL**

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