



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

**Finance, Economic Development and
Corporate Services Overview and Scrutiny
Committee**

10 November 2020

Report of: Councillor Adam Stokes

Cabinet Member for Finance and
Resources



Local Council Tax Support Scheme

This report reviews the Council's Local Council Tax Support scheme in advance of the 2021/22 financial year.

Report Author

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Corporate Priority:	Decision type:	Wards:
Administrative	Budget and Policy Framework	All Wards

Reviewed by:	Alison Hall-Wright, Head of Finance	28 October 2020
Approved by:	Karen Bradford, Chief Executive	2 November 2020
Signed off by:	Councillor Adam Stokes, Cabinet Member for Finance and Resources	2 November 2020

Recommendation (s) to the decision maker (s)

- 1. The Finance, Economic Development and Corporate Services Overview and Scrutiny Committee is asked to review the Local Council Tax Support Scheme and recommend the current scheme of 80% to the Council for the financial year 2021/22.**
- 2. The Finance, Economic Development and Corporate Services Overview and Scrutiny Committee is asked to recommend that a fundamental review of the scheme is commenced in the Summer 2021 period in order to assess the impact of the pandemic on the scheme.**

1 The Background to the Report

- 1.1 The Council Tax Benefit system was abolished on 31 March 2013 and replaced by the Council Tax Support Scheme. This scheme can be determined locally by the Billing Authority having had due consultation with precepting authorities, key stakeholders and residents. There are currently 8,270 residents claiming Council Tax Support in the South Kesteven District. 3,320 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 4,950 working age claimants where a local scheme can be determined which can change the level of support provided.
- 1.2 The Council agreed to a Local Council Tax Support Scheme which came into effect on 1 April 2013. Our scheme currently provides 80% for working age customers.
- 1.3 Any scheme has a wide ranging set of competing and sometimes, conflicting objectives that need to be considered in any scheme design. These can be listed as (in no particular order):
- National welfare benefits
 - Council budget capacity
 - Council Tax collection rates
 - Economy
 - Demographics
 - Council objectives
 - Other Council comparisons

Given the current operating context, it is problematic to fundamentally re-assess any Council Tax scheme due to the volatility that is impacting on a number of the objectives listed above.

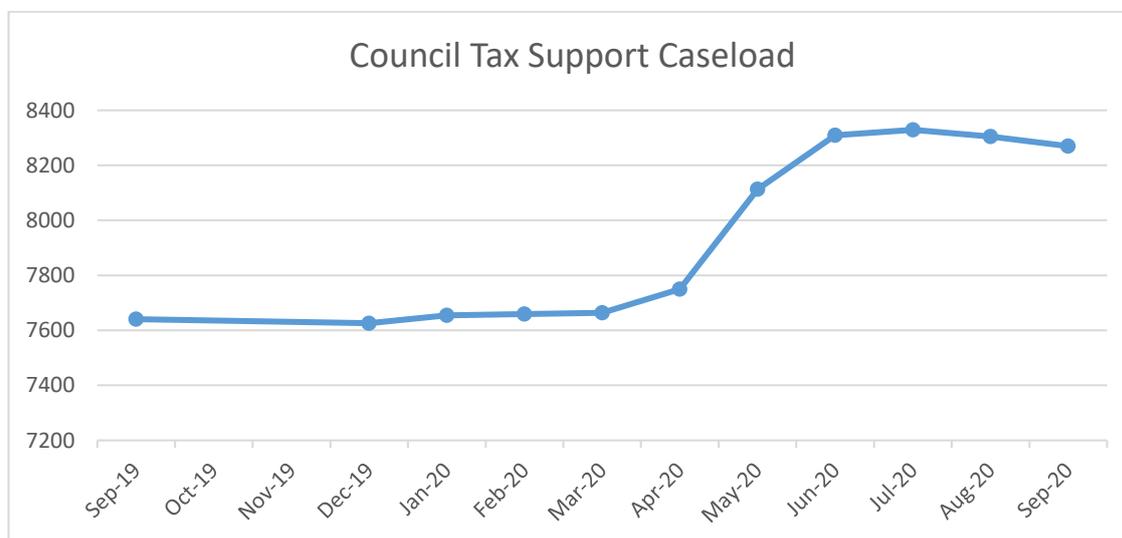
- 1.4 The proposed CTS scheme must go through certain steps to comply with the provisions stated in the Local Government Finance Act 2012 before it can be adopted by this Council as a Billing Authority. Therefore before it is put before Council in January 2021, the views of the Committee are sought.

Impacts of Covid-19

- 1.5 Covid-19 has had an impact on the amount of CTS awarded, with significant increases in caseload and cost of the scheme – this is detailed further within this section of the report.
- 1.6 The caseload increase is a direct result of changes to the economic climate, with existing customers requiring more support and new customers making claims for Universal Credit, and in-turn Council Tax Support claims. Prior to Covid-19, the Department for Work and Pensions' intention was to migrate existing customers onto Universal Credit via a managed process. Covid-19 has resulted in this process being fast-tracked and has seen a significant increase in claims.
- 1.7 The Council has also ensured that those customers who have been affected by Covid and therefore in financial difficulties, have had the opportunity to make a claim for Council Tax Support.

- 1.8 For 2020/21, the cost of the scheme as at 14 September 2020 is £7,271,937. This is an increase from £6,584,129 at the same point in 2019. This is an increase of £687,808. The Council's share of the total cost for 2020/21 as at 14 September 2020 is £654,474 based on a 9% share of the total cost.
- 1.9 There is also an increase from 1 April 2020 of £422,739 (when the cost of scheme was £6,849,198 at that time).
- 1.10 The increase in cost is as a direct result of the increase in caseload due to Covid-19. At this date in 2019, the total caseload was 7,641 and has increased by 629 to 8,270. The caseload has not been this high since October 2017 – which was prior to the introduction of Universal Credit Full Service.
- 1.11 Further details of caseload increase are shown in the table and graph below:

1st of month	Working age	Pension age	Total
September 2019	4,190	3,451	7,641
December 2019	4,223	3,403	7,626
January 2020	4,259	3,395	7,654
February 2020	4,282	3,377	7,659
March 2020	4,290	3,374	7,664
April 2020	4,377	3,373	7,750
May 2020	4,753	3,360	8,113
June 2020	4,955	3,354	8,309
July 2020	4,992	3,337	8,329
August 2020	4,980	3,325	8,305
September 2020	4,950	3,320	8,270



- 1.12 As expected, there was a peak to the caseload in May through to July 2020 but more recently has levelled off. The last 5 months data is providing a pattern for future activity, should the local area be moved to tier 3 and when the current furlough scheme (coronavirus job retention scheme) comes to an end. However, it is expected there will be a further peak once the furlough scheme expires at the end of November.
- 1.13 By using this data, officers are currently forecasting an increase to CTS caseload once the furlough scheme comes to an end, and the impact this will have on customer income and increase in Universal Credit claims.

- 1.14 Since April 2020, the overall CTS caseload has increased by 520 customers, which is 6.7%. Officers cannot say with any certainty that this will be the maximum increase, due to the unknowns, however, if this figure was used from this point forward, there would be an overall caseload increase for the remaining period of 2020/21 of 554, bringing the total caseload up to 8,824 as at 31 March 2021.
- 1.15 A caseload increase during 2020/21 will also impact the cost of the scheme for 2021/22. Officers have modelled a range of caseload increases for the 2021/22 scheme and these are shown in **Appendix 1** to this report.

The Local Council Tax Support Scheme

- 1.16 The Council's local scheme has been updated with amendments since the introduction in April 2013 to maintain the link with Housing Benefit and the previous Council Tax Benefit scheme.
- 1.17 The current scheme has the following restrictions for working age customers: -
- Maximum entitlement capped to 80%
- 1.18 The current scheme has the following amendments to Council Tax technical restrictions for all Council Tax Payers since April 2013:
- Introduction of additional 100% premium to empty properties over 5 years – total premium is 200% (total charge 300%);
 - Care leavers council tax exemption – 100% for those aged between 18th and 25th birthday; and
 - Unoccupied discount 100% for the first month.

Council Tax Support options for 2021-22

- 1.19 Based on the current core elements of the existing scheme, various caseload increases have been modelled, along with an assumed increased charge in Council Tax of 1.9%. These are summarised in **Appendix 1**, giving an indication of the potential cost to South Kesteven.
- 1.20 As a billing authority the Council can decide whether or not to amend core elements of its scheme each year. A number of different models have been prepared and these are set out at Appendix 1.
- 1.21 There will be some technical changes that will still need to be applied to ensure that the Council's scheme complied with the Prescribed Scheme Regulations (covering Universal Credit, premiums and discounts). These details are still outstanding from the Ministry of Housing, Communities and Local Government (MHCLG).
- 1.22 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; it is intended that these will be circulated to Members for consideration at the Council meeting in January 2021. There will be no change to the adopted policy in the way CTS is calculated for these areas. Officers have considered if there is any need for any transitional arrangements to the revised scheme and concluded transitional arrangements are not needed for the 2021/22 scheme.
- 1.23 In developing the modelling for each of the Council Tax Support Scheme options several assumptions have been made, as follows:

- Uprating Freeze for social security benefits, based on the current national policy – however, this may change as a result of ongoing national budget statements.
- As the Council and major preceptors are likely to set differing levels of Council Tax increases it creates a variety of modelling scenarios. An overall increase on all elements of 3.5% has therefore been assumed for modelling purposes, this assumed increase is based on the Council Tax increase for 2020/21. The final cost of the scheme will not be known until the overall Council Tax increase is confirmed. 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.
- An assumed 3% increase in caseload for 2021/22.

1.24 The models considered are as follows:

- **Model 1: No change to the current scheme:** With no changes to Council Tax or caseload; and
- **Model 2: Maximum award ranging from 70% to 100% (increments of 5% increase):** With 3.5% Council Tax increase and 3% caseload increase

1.25 For local context only City of Lincoln Council in Lincolnshire operates a 100% scheme all other Councils in Lincolnshire operate the following:

- South Holland DC 70%
- Boston BC, East Lindsey DC 75%
- South Kesteven DC 80%
- North Kesteven DC, West Lindsey DC 90%

Continuation of the Discretionary Payment Scheme

1.26 Discretionary Payments (DP) assist persons who have applied for Council Tax Support and who are facing 'exceptional hardship' – it is similar to the Discretionary Housing Payment for Housing Benefit shortfalls. A DP 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.

1.27 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 agreed to introduce a Discretionary Payment 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.

Discretionary Payments fall within Section 13A(1) of the Local Government Finance Act 1992 and forms part of the Council Tax Support Scheme.

1.28 The current DP budget is £30,000 and the cost of a DP award is borne solely by South Kesteven District Council. As at 14 September 2020, a total of £5,259 DP has been awarded and it is forecast to fully commit the budget for the current financial year.

The DP has supported those customers that have been affected by Covid-19 whereby additional support has been requested and applications have been successful.

2 Consultation and Feedback Received, Including Overview and Scrutiny

- 2.1 The Committee is asked to consider the current scheme in advance of the 2021/22 financial year.

3 Available Options Considered

- 3.1 Options are considered as set out in the report and supporting appendix. The options include the setting of the cap on the maximum entitlement. This is presented for the Committee to consider.

4 Preferred Option

- 4.1 The preferred option is to retain the existing scheme having regard for the overall financial constraints of the Authority and the associated increase in the claimant numbers.

5 Reasons for the Recommendation (s)

- 5.1 These are set out in the report.

6 Next Steps – Communication and Implementation of the Decision

- 6.1 Following the recommendation from Committee, the scheme will be presented to Council in January 2021 for approval.

7 Financial Implications

- 7.1 The actual cost of the discount scheme in 2021/22 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.
- 7.2 An indicative range of costs based on various scenarios for 2021/22 is set out in **Appendix 1**.
- 7.3 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.
- 7.4 The exceptional hardship fund of £20,000, made available during 2020/21, will be recommended for continuation for 2021/22.

Financial Implications reviewed by: Richard Wyles, Interim Director of Finance

8 Legal and Governance Implications

- 8.1 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 had 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.
- 8.2 The regulations for the scheme proposed to be adopted are to be collated and made available for Council in January 2021.

Legal Implications reviewed by: Shahin Ismail, Director of Law and Governance

9 Equality and Safeguarding Implications

9.1 This will be undertaken depending upon the option recommended for further consideration although it is expected that any changes to the current scheme that reduce the current maximum cap of 80% will have an adverse impact on specific household income.

10 Risk and Mitigation

10.1 The Council, along with the other preceptors, bears the risk of the cost of the Council Tax Support scheme should caseload increase cause the cost to increase more than predicted.

10.2 Any revisions to the scheme must be approved by 31 January 2021 before the financial year begins.

10.3 The scheme cannot be changed mid-year and therefore it is vital the correct scheme is in place.

11 Community Safety Implications

11.1 None.

12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

12.1 None.

13 Other Implications (where significant)

13.1 None.

14 Background Papers

14.1 None.

15 Appendices

15.1 Modelling scenarios – Appendix 1.

Report Timeline:	Date of Publication on Forward Plan (if required)	Not applicable
	Final Decision date	28 January 2021