



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

# Council

28 January 2021

**Report of:** Councillor Adam Stokes

Cabinet Member for Finance and  
Resources



## Local Council Tax Support Scheme

This report recommends the Council's Local Council Tax Support scheme for the forthcoming 2021/22 financial year.

### Report Author

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Corporate Priority:	Decision type:	Wards:
<b>Administrative</b>	<b>Budget and Policy Framework</b>	<b>All Wards</b>

<b>Reviewed by:</b>	Claire Morgan, Senior Accountant	14 January 2021
<b>Approved by:</b>	Richard Wyles, Interim Director of Finance	15 January 2021
<b>Signed off by:</b>	Councillor Adam Stokes, Cabinet Member for Finance and Resources	18 January 2021

### Recommendation (s) to the decision maker (s)

- 1. Council is asked to approve the Local Council Tax Support scheme 2021/22 based on the same overarching criteria as the current year's scheme.**
- 2. Council is asked to note that Cabinet has not recommended the inclusion of a Council Tax discount for Special Constables that reside in the South Kesteven area.**

# 1 The Background to the Report

- 1.1 The Council Tax Benefit system was abolished on 31 March 2013 and replaced by the Local Council Tax Support Scheme (LCTSS). This scheme can be determined locally by the Billing Authority having had due consultation with precepting authorities, key stakeholders and residents. There are currently 8,213 residents claiming Council Tax Support in the South Kesteven District. 3,272 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 4,941 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 LCTSS 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

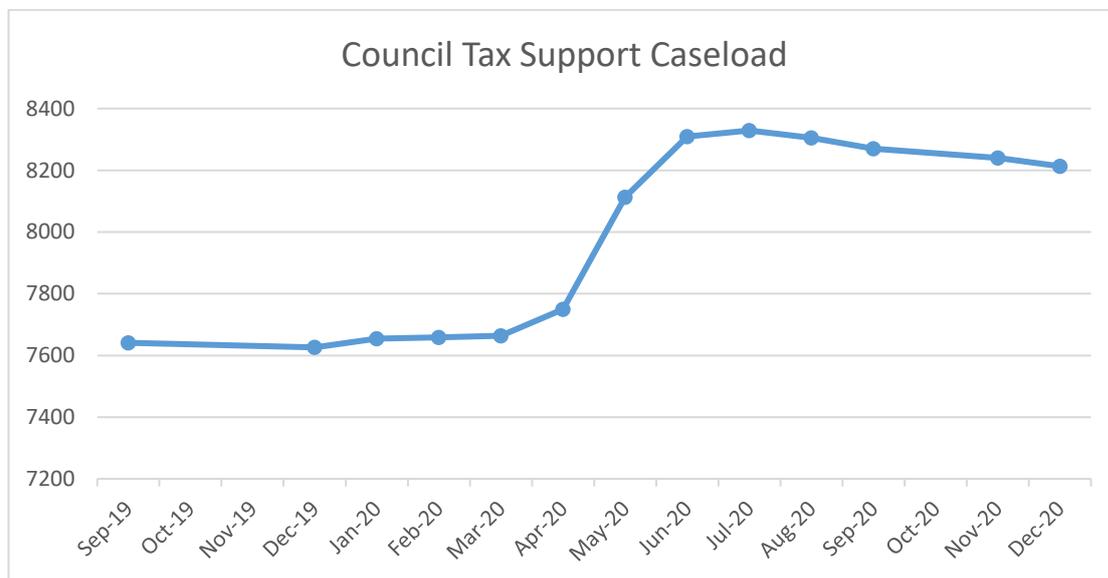
Given the current operating context, it is problematic to fundamentally re-assess any Council Tax scheme due to the volatility that is impacting on a number of the objectives listed above.

## **Impacts of Covid-19**

- 1.4 Covid-19 has had an impact on the amount of LCTSS awarded, with significant increases in caseload and cost of the scheme – this is detailed further within this section of the report.
- 1.5 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.
- 1.6 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.
- 1.7 For 2020/21, the cost of the scheme as at 11 January 2021 is £7,222,434. This is an increase from £6,495,811 at the same point in 2019. This is an increase of £726,623. The Council's share of the total cost for 2020/21 as at 11 January 2020 is £650,019 based on a 9% share of the total cost.

- 1.8 There is also an increase from 1 April 2020 of £373,236 (when the cost of scheme was £6,849,198 at that time).
- 1.9 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 599 to 8,240. The caseload has not been this high since October 2017 – which was prior to the introduction of Universal Credit Full Service.
- 1.10 Further details of caseload increase are shown in the table and graph below:

<b>1<sup>st</sup> of month</b>	<b>Working age</b>	<b>Pension age</b>	<b>Total</b>
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
October 2020	4,942	3,293	8,235
November 2020	4,952	3,288	8,240
December 2020	4,941	3,272	8,213



- 1.11 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, However, with the restrictions being in place for a limited time and the furlough scheme extended until 31 March 2021, the CTS caseload may not be an accurate position in which to predict claimant levels for 2021/22.
- 1.12 By using this data, officers are currently forecasting an increase to CTS caseload as a result of the ongoing national economic impact which is likely to result in reduced income levels for some residents and a consequential increase in Universal Credit claims.

- 1.13 Since April 2020 the overall CTS caseload has increased by 511 customers which is a 7% increase. It cannot be said with any certainty if 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 575, bringing the total caseload up to 8,788 as at 31 March 2021.
- 1.14 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**

- 1.15 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.
- 1.16 The current scheme has the following restrictions for working age customers: -
- Maximum entitlement capped to 80%
- 1.17 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 18<sup>th</sup> and 25<sup>th</sup> birthday; and
  - Unoccupied discount 100% for the first month.

### **Council Tax Support options for 2021-22**

- 1.18 Based on the current core elements of the existing scheme, a caseload increase of 3% has been modelled, along with an assumed increased charge in Council Tax of 3.5%. These are summarised in **Appendix 1**, giving an indication of the potential cost to South Kesteven.
- 1.19 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.
- 1.20 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).
- 1.21 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.
- 1.22 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.

1.23 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

1.24 For local context only City of Lincoln Council currently 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%

### **Major Preceptors**

1.25 There is a requirement to consult the major preceptors in developing proposals for the following financial year. This is a requirement as any Council tax discount has a financial impact on all the major precepting authorities. The responses to the consultation are provided at Appendix A (Lincolnshire County Council) and at Appendix B (the Police and Crime Commissioner PCC).

1.26 The PCC has asked the Council to consider extending the scheme to allow a Council Tax support discount to be awarded to special constables that live in the South Kesteven District. The details of the proposal are set out at Appendix B and include a discount of up to 25% based on specific criteria being met. These are:

- The liable party is a member of the Lincolnshire Police Special Constabulary.
- The majority of their duties are to benefit the residents of Lincolnshire.
- They must be liable as an individual for the Council Tax Charge or they must be jointly or severally liable for the Council Tax Charge.
- Only one application per household can be made.

1.27 Lincolnshire County Council has been consulted and are supportive of the overall scheme remaining within the existing criteria but are also supportive of the proposed amendment put forward by the PCC. Should this proposal be supported there will be a financial impact of approximately £800 per annum depending upon the number of eligible residents living in the District.

- 1.28 If the proposal is approved, the discount would be awarded through Section 13A of the Local Government Finance Act 1992. This provides the Council with a discretionary power to discount the amount of council tax that is payable to us on a case by case basis or to specify a specific class where several council tax payers may fall into a group due to similar circumstances.
- 1.29 The Collection Fund Regulations require that the Billing Authority funds the amount of any discretionary award made under Section 13A(1)(c) in full, by making a transfer payment from its General Fund to the Collection Fund of the amount of the award. This means that Council is effectively paying the shares of the Council Tax that are allocated to the County Council, the Police and Crime Commissioner and any Parish Council. The precepting authorities will be required to reimburse South Kesteven District Council at the end of each financial year.

## **2 Consultation and Feedback Received, Including Overview and Scrutiny**

- 2.1 Cabinet was presented with the scheme options at its meeting on 12 January 2021 and recommended that the current scheme continue for 2021/22. The Cabinet carefully considered the proposal from the Police and Crime Commissioner but has not recommended that the discount is included in the 2021/22 scheme.
- 2.2 The CTS scheme options were also presented to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on 10 November 2020 and the Committee recommended that the scheme continue for 2021/22 on the same basis as the current year. However it is worth noting that at the time of the report to the Committee, the proposal from the Police and Crime Commissioner had not been received and was therefore not debated.

## **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.

## **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 decision by Council, the approved Scheme for the 2021/22 financial year will be introduced.

## **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 District 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.

**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 that an appropriate 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 Appendix A – Lincolnshire County Council consultation response
- 15.2 Appendix B – Police and Crime Commissioner consultation response
- 15.3 Appendix C – Local Council Tax support scheme financial modelling

<b>Report Timeline:</b>	Date of Publication on Forward Plan (if required)	14 December 2020
	Previously Considered by: Finance, Economic Development and Corporate Services Overview and Scrutiny Committee	10 November 2020
	Final Decision date	28 January 2021