



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

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

19 July 2022

Report of: Councillor Adam Stokes

Deputy Leader of the Council



Local Council Tax Support Scheme 2023/24

This report reviews the Council's Local Council Tax Support scheme in advance of the 2023/24 financial year and seeks comments from this Committee regarding the scheme in readiness for public consultation.

Report Author

Claire Moses, Head of Revenues, Benefits and Customer Service



01476 406080



claire.moses@southkesteven.gov.uk

Corporate Priority:	Decision type:	Wards:
Administrative	Key	All Wards

Reviewed by:	Alison Hall-Wright, Assistant Director of Finance	4 July 2022
Approved by:	Richard Wyles, Chief Finance Officer	6 July 2022
Signed off by:	Councillor Adam Stokes, Deputy Leader of the Council	6 July 2022

Recommendation (s) to the decision maker (s)

- The Finance, Economic Development and Corporate Services Overview and Scrutiny Committee is asked to comment on the report and seek approval for public consultation of a 'no change' scheme.**

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 7,518 residents claiming Council Tax Support in the South Kesteven District. 3,162 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 4,356 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 claimants.**
- 1.3 The proposed 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): -*
- (a)consult any major precepting authority which ha power to issue a precept to it;*
 - (b)publish a draft scheme in such a manger as it thinks fit; and*
 - (c)consult such other persons as it considers are likely to have an interest in the operation of the scheme*
- 1.4 Any scheme design has a wide-ranging set of competing and sometimes, conflicting objectives that need to be considered. These can be listed as (in no particular order): -
- National welfare benefits
 - Council budget capacity
 - Council tax collection rates
 - Economy
 - Demographics
 - Caseload (need for support)
 - Council objectives
 - Other Council comparisons
- 1.5 Given the current operating context, it will be problematic to fundamentally re-assess any Council Tax scheme due to the volatility that is impacting on a number of the objectives listed above.
- 1.6 There is further uncertainty as to the impact of remaining legacy benefit claimants moving to Universal Credit by the end of 2024, which resumed in May 2022. The restart follows a pause to the process during the Covid pandemic when Department for Work and Pension (DWP) staff were focussed on supporting the surge of new claimants to Universal credit. The six benefits being replaced all have complex eligibility criteria and Universal credit is designed to provide claimants with one to one individually tailored support, to help them into employment.
- 1.7 The rollout will be carefully managed by the DWP, and claimants will be asked to move to Universal Credit.

- 1.8 It is not yet known how many of the legacy customers will be moved over during 2023/24 and whether their entitlement to Council Tax Support would change.
- 1.9 A change to the Council Tax Support scheme with such uncertainties as described above, could lead to customers being worse off or a significant increase in cost of the scheme for the Council.

Impacts of Covid and increased cost of living

- 1.10 Covid-19 has had an impact on the amount of LCTSS awarded, which saw a significant increase in caseload and cost of the scheme during 2020/21 and early 2021/22 – details of this were provided during the review of the scheme for 2022-23.
- 1.11 During 2020/21 and 2021/22, the caseload increase was as a direct result of Covid-19 due to changes to the economic climate, with those 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 resulted in this process being fast-tracked and has seen a significant increase in claims.
- 1.12 During Quarter 3 and 4 of 2021/22, there was a small reduction in caseload as a result of Covid restrictions being lifted and people returning back to work.
- 1.13 The cost of living has seen has not yet resulted in an increase in applications for Council Tax Support and Discretionary (top-up) Payments, however, this is a result of the package of support that has been provided in the form of Council Tax Energy rebate (£150 per household), Cost of Living Payments for those on benefits (£650), Pension Cost of living payment (£300), Disability Cost of living payment (£150) and Household Support Fund (April to September 2022) – details can be found here: [Overall government support for the cost of living: factsheet - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/factsheets/overall-government-support-for-the-cost-of-living)
- 1.14 The Council has helped those customers who have been affected by Covid and the cost of living, and therefore in financial difficulties, by ensuring they have had the opportunity to make a claim for Council Tax Support.
- 1.15 For 2021/22, the cost of the scheme was £7,058,298. This is an increase from £7,204,780 at the same point in 2020. This is an increase of £247,725. The Council's share of the total cost for 2021/22 is £670,725 and £22,295 (of the increase) based on a 9% share of the total cost.
- 1.16 On 1 April 2022, the cost of the scheme increased to £7,288,462 as a result of the Council Tax increase. During 2022, we have started to see a decrease in claim numbers and as a result a small decrease in the cost of the scheme. As of 28 June 2022, the cost of the scheme is £7,206,079. This is a small reduction of £82,383.
- 1.17 The decrease in cost is difficult to accurately determine but will be in part as a result of the economy picking back up again. However, this is only a minor decrease, and is volatile to the external factors that can influence claim numbers as detailed in paragraph 1.13.
- 1.18 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
March 2020	4,290	3,374	7,664
June 2020	4,955	3,354	8,309

1st of month	Working age	Pension age	Total
September 2020	4,950	3,320	8,270
December 2020	4,941	3,272	8,213
March 2021	4,881	3,246	8,127
June 2021	4,936	3,244	8,180
September 2021	4,611	3,205	7,816
December 2021	4,387	3,197	7,584
March 2022	4,388	3,164	7,552
June 2022*	4,356	3,162	7,518

*As at 28 June 2022

South Kesteven District Councils Local Council Tax Support Scheme – 2022/23

- 1.19 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.
- 1.20 The current scheme has the following restrictions for working age customers: -
- Maximum entitlement capped to 80%
- 1.21 The current scheme also has the following amendments to Council Tax technical restrictions for all Council Taxpayers since April 2013: -
- Introduction of additional 200% premium to empty properties over 10 years – total premium is 300% (total charge 400%);
 - Care leavers council tax exemption – 100% for those aged between 18 and 25;
 - Reduction for Special Constables who live in the district; and
 - Unoccupied discount of 100% for the first month.

South Kesteven District Councils Discretionary Payments Scheme – 2022/23

- 1.22 South Kesteven District Council also provide a Discretionary Payments (DP) scheme to assist persons who have applied for Council Tax Support and who are facing 'exceptional hardship'. A DP provides a further financial contribution where an applicant is in receipt of Council Tax Support but the level of support being provided does not meet their full Council tax liability.
- 1.23 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.
- 1.24 The budget for 2022/23 is £30,000 and the cost of a DP award is borne solely by South Kesteven District Council. As of 28 June 2022, a total of £16,361 DP has been awarded.

Council Tax Support options for 2023/24

- 1.25 As a billing authority the Council can decide whether or not to amend core elements of its scheme each year.
- 1.26 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 changes will be provided by the Government department in due course.
- 1.27 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 2023. 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 2023/24 scheme.
- 1.28 In developing the modelling for each of the Council Tax Support Scheme options several assumptions have been made, as follows:
- Uprating 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% has therefore been assumed for modelling purposes, this assumed increase is based on the Council Tax increase for 2022/23. 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 increased their Band D by a greater percentage than the Council, this would in effect reduce the cost of the scheme to the Council.

Financial Support available within South Kesteven

- 1.29 In addition to Council Tax Support, there has been a significant amount of additional financial support available to residents and businesses within South Kesteven during 2021/22 and this is shown in **Appendix 1**.
- 1.30 Some of this support is continuing, with new support recently announced by Government. This is shown in **Appendix 2**.

2 Consultation and Feedback Received, Including Overview and Scrutiny

- 2.1 The indicative timetable to approve any change to the new scheme is set out below and considers the existing calendar of meetings. The full Council as Billing Authority needs to approve the scheme after consultation as outlined in paragraph 1.3.
- 2.2 The proposed timetable is as follows: -
- August to October 2022: Public consultation process and analysis of results. The Council is required to review their current Council Tax Support scheme. The proposals and recommendations will seek to ensure the Council has a robust review of its current scheme and understand the implications of adopting a new scheme.

- 22 November 2022: Finance, Economic Development and Corporate Services Overview and Scrutiny Committee – review the outcome of consultation and proposed scheme for 2023/24.
- 13 December 2022: Cabinet – **recommendation** of scheme for 2023/24 for Council
- 26 January 2023: Council – **decision required:** approval of final 2023/24 scheme for implementation from 1 April 2023. The Local Government Finance Act 2012 requires a full review of the scheme by the Billing Authority. South Kesteven District Council will need to approve a new scheme after consultation by 31 January 2023.

3 Available Options Considered

- 3.1 Undertake a full review and modelling of the LCTS scheme and return to this committee with options for changes to the scheme. It would be very difficult to model given the volatility of changes as referenced in paragraph 1.4 to 1.9.
- 3.2 Agree a 'no change' scheme and undertake consultation as per the timetable in paragraph 2.2.

4 Preferred Option

- 4.1 The preferred option is for a "no change" scheme due to the uncertainties detailed in paragraph 1.4 to 1.9.
- 4.2 The preference is for all residents to be moved across to Universal credit before modelling of a change scheme could take place.

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 Consultation process to be undertaken as detailed in Section two.

7 Financial Implications

- 7.1 The actual cost of the discount scheme for 2023/24 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 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 considered when future years surpluses or deficits are declared.

Financial Implications reviewed by: Richard Wyles, Chief Finance Officer

8 Legal and Governance Implications

- 8.1 The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 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 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 2023.

Legal Implications reviewed by: Graham Watts, Assistant Director of Democratic Services and Deputy Monitoring Officer

9 Equality and Safeguarding Implications

- 9.1 This will be undertaken as part of the consultation process, dependent upon the options recommended for consultation. 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 2023.
- 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 Appendix 1 – Financial support provided 2020/21 and 2021/22
- 15.2 Appendix 2 – Financial support provided to date 2022/23