

Cabinet Report

Date	9 NOVEMBER 2023
Title	LOCAL COUNCIL TAX SUPPORT SCHEME 2024/25
Report of	CABINET MEMBER FOR CHILDRENS SERVICES, EDUCATION AND CORPORATE FUNCTIONS

EXECUTIVE SUMMARY

1. Each year the council is required to review its Council Tax Support (CTS) scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.
2. Council Tax Support was introduced from 1 April 2013 when it replaced the central government funded council tax benefit regime. From its inception, the funding available to the council from government has reduced year on year.
3. As with the majority of authorities within England, the council has changed its scheme each year for a number of reasons including:
 - adjusting the level of support in line with the funding available from central government; and
 - to aid administration
4. In the current year the Council itself is experiencing very significant financial challenges as a consequence of:
 - the extraordinary levels of inflation which is substantially increasing the cost of delivering day to day council services
 - Increases in demand for council services in particular Adults and Children's social care
 - The ongoing costs and loss of income associated with the Covid-19 pandemic
 - Rising interest rates and its impact on the viability of capital schemes
5. Looking forward to next year (Financial Year 2024/25), existing financial pressures alongside continued inflationary and demand pressures are currently forecast to expose the Council to significant unfunded budget pressures which will need to be addressed in addition to the Council's £2m savings requirement.
6. It remains unclear the extent to which any Government support might be available for these extraordinary financial pressures through the Local Government Funding Settlement due to be announced in December 2023. The Government's 3 Year

Comprehensive Spending Review indicated that no further funding is available. Due to the substantial scale of the forecast unfunded financial pressures alongside the uncertainty of any additional Government funding, the Council is unable to consider any new policy initiative at this time that would increase the financial burden upon the Council.

7. This report details the proposed scheme and makes recommendation to members for the 2024/25 scheme effective from 1 April 2024.

RECOMMENDATION

8. It is recommended:

- That Cabinet recommends to Full Council adoption of the proposed scheme and make no changes to the maximum level of support for working age cases, meaning it remains at 70 per cent, allowing for minor changes to applicable amounts; and
- That Cabinet recommends to Full Council that it continues the current exceptional hardship policy.

BACKGROUND

9. The national Council Tax Benefit Scheme was abolished by central government on 31 March 2013. Under the national scheme claimants on very low incomes could get 100 per cent of their council tax paid. The government paid a grant in respect of the benefit allocation, which meant that there was no cost falling on the council.
10. Council Tax Support (CTS) was introduced by central government as a replacement for the Council Tax Benefit Scheme administered on behalf of the Department for Work and Pensions (DWP). As part of its introduction, the government, in transferring the responsibility to individual councils, set requirements, namely:
 - the duty to create a local scheme for working age applicants with billing authorities.
 - funding was initially reduced by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous council tax benefit scheme; and
 - persons of pension age, although allowed to apply for council tax support, would be dealt with under regulations prescribed by central government and not the authorities' local scheme.
11. Since that time, funding for CTS has been amalgamated into the settlement funding assessment (SFA) for each local authority as determined by central government. The funding for Local Council Tax Support is not separately identifiable within the SFA and therefore has been exposed to cuts on the same basis. The implied cut in funding between 2013-14 and 2023-24 equates to £5.3m (49 per cent).
12. CTS is not actually paid to claimants but is instead shown as a discount on their council tax bill. This reduces the council tax base and so the cost is not expenditure as such, but instead a reduction in income raising ability.
13. Under the local scheme, the cost of CTS is expressed as a discount and results in a reduction in the council tax base. This has a financial impact on the Isle of Wight Council, as well as the Police and Crime Commissioner for Hampshire and the Isle of Wight, the Hampshire and Isle of Wight Fire and Rescue Service and local

preceptors. Funding for local town, parish and community council preceptors has been included with the Isle of Wight Council's funding, which is then apportioned and passed on to individual town, parish and community councils.

14. The current support scheme created by the council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by central government, and the scheme for working age applicants being determined solely by the local authority.
15. Pensioners, subject to their income, can receive up to 100 per cent support towards their council tax. The council has no powers to change the level of support provided to pensioners and therefore any changes to the level of CTS can only be made to the working age scheme.
16. In 2013, the council broadly adopted the previous means tested council tax benefit scheme as the basis of awarding support. However, due to the reduction in funding, a number of changes have been made over the years to the working age scheme.
17. A CTS exceptional hardship fund was introduced during 2016/17 to recognise the potential impacts to some low-income households that might be faced with genuine hardship as a result of the local CTS 2016/17 scheme changes agreed by Full Council on 20 January 2016. This provision was reviewed again by Full Council on 22 February 2023 and continues to provide support for those in genuine hardship. This requires individual applications and takes into account individual circumstances including the claimant's income and essential outgoings.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

18. Each year the council is required to review its Council Tax Reduction Scheme in accordance with the requirements of Schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it. The Isle of Wight council tax reduction scheme is known as the Local Council Tax Support (LCTS) scheme.
19. In the Full Council meeting of 22 February 2023, it was agreed to increase the maximum level of support to 70 per cent from 65 per cent for working age cases from 1 April 2023.

ECONOMIC RECOVERY AND REDUCING POVERTY

20. The LCTS scheme assists those on low incomes with payment of their council tax liability, which includes households with children. In doing so, the scheme helps to reduce effects of poverty on these residents. Also, the exceptional hardship fund provides additional support to any households in receipt of LCTS and suffering hardship to receive extra assistance in paying their council tax.
21. The effects of recovery from the pandemic are still being seen, as well as the current cost of living crisis which is affecting residents across the island and particularly those in receipt in LCTS. Recovery from the economic situation may see more residents applying for LCTS for financial support which may increase the cost of the scheme further.
22. In November 2023, the Department for Work and Pensions (DWP) will begin to move existing legacy benefit claimants onto Universal Credit. Effects of this process could result in loss of benefits if residents do not claim within the required time frames. Equally, deductions may be taken from their Universal Credit awards for

overpayments of other benefits, causing financial difficulties. From April 2024, this migration of claimants will include those in receipt of Employment Support Allowance, many of whom are considered vulnerable members of society. There are currently 2665 claimants in receipt of Universal Credit and LCTS, however this will increase, and more claimants will begin to move from Band 1 of the scheme, providing the maximum level of support, into Bands 2 – 6 where their level of support may alter.

IMPACT ON YOUNG PEOPLE AND FUTURE GENERATIONS

22. Any changes being brought about to the LCTS scheme could have financial impacts on any of those with young families claiming currently, or who may claim LCTS in the future. In addition, the income of a household affects children in those households, and this needs to be considered with any future changes to the scheme.

RESPONDING TO CLIMATE CHANGE AND ENHANCING THE BIOSPHERE

23. The Local Council Tax Support scheme aligns with socio-economic factors including reduction in poverty, economic stability, and reduced inequalities as it provides financial support to those Island residents who are in receipt of the lowest incomes and assists them in paying their council tax. The scheme has an impact on Housing because it is helping residents to stay within their homes through providing financial support for their council tax bill each year.
24. Equally, the Exceptional Hardship Fund Policy further supports these factors by providing additional support to those in receipt of LCTS and who are experiencing exceptional financial hardship. Discretionary awards of this nature help these residents in reducing their poverty level.
25. For 2024/25, the council is proposing that the LCTS scheme remains the same as it is currently. Keeping this consistency will assist in alleviating poverty for these residents in the short-term as no reduction in support would be implemented.
26. A CSDIA has been completed in full for the proposed Local Council Tax Support scheme with the score visible below. As described above, there are positive outcomes for the socio-economic areas of No Poverty and Zero Hunger. The full rationale and scoring can be found at Appendix 6.



Socio-economic Outer Ring	Scores
No Poverty	4
Zero Hunger	4
Good health and wellbeing	3
Quality Education	3
Gender Equality	3
Clean Water and Sanitation	3
Affordable and clean energy	3
Decent work and economic growth	3
Industry, Innovation and Infrastructure	3
Reduced inequalities	3
Sustainable cities and communities	3
Responsible consumption and production	3
Climate Action	3
Life below water	3
Life on land	3
Peace, justice and strong institutions	3
Partnerships for the Goals	3

Environment Inner Ring	Scores
Transport	3
Energy	3
Housing	3
Environment	3
Offset	3
Adaptation	3

CORPORATE AIMS

27. The Local Council Tax Support scheme needs to be considered in the context of the council's overall financial position, budget strategy and the ability to continue to deliver public services on a sustainable basis. It also needs to be consistent with, and balance this with the Corporate Plan priorities that seek to ensure the following:

- Ensuring that we listen to people. We will do so by holding consultations in which we will have a proper discussion with residents about issues.
- Keeping the council solvent and take all the measures we can to improve the financial position of the council.
- COVID 19 recovery will be integral to everything we do for residents and Island business.
- Provide greater support to those on low incomes, including through the local council tax support scheme.

CONSULTATION AND ENGAGEMENT

28. A full and comprehensive consultation exercise was undertaken from 7 August to 2 October 2023 as follows

Stakeholders	Methodology
1. Existing claimants (both working age and pensionable age, approximately 10,800).	Individual postcards to inform of the LCTS potential changes worded: "If you receive Local Council Tax Support, new changes could affect you. The Isle of Wight Council is seeking your views on the amount we award in Local Council Tax Support. We are asking for your input to help shape the decision. You can let us know your views until Monday 2 October 2023 at: www.iow.gov.uk/LCTSconsultation ' Online survey via questionnaire explaining proposals and likely impact. Paper survey if requested. Easy-read and large-print documents available.
2. Council taxpayers and service users generally	Online survey via questionnaire explaining proposals and likely impact. Paper survey if requested. Easy-read and large-print documents available.
3. Interested organisations and groups.	The Anti-Poverty Group partners were emailed detailing the consultation on two occasions to circulate and raise awareness with their customers. People Matter provided with details of the consultation. Age Friendly Group provided with details of the consultation.

	<p>Internal council services provided with details of the consultation.</p> <p>Email to all parish, town and community council clerks to raise awareness and seek their views.</p> <p>Letter sent to the police and crime commissioner seeking views.</p> <p>Letter sent to the Hampshire and the Isle of Wight Fire authority.</p> <p>A total of 201 responses to the consultation were received.</p>
<p><u>General Awareness</u></p>	
<p>Provision of information and awareness raising of changes and proposals</p>	<p>www.iow.gov.uk Press releases. Face to face communication at customer service points. The council's Facebook and Twitter sites. Information on the consultation page of www.iow.gov.uk</p>

29. Details of the consultation response analysis are set out in Appendix 1. The consultation was responded to by 201 residents (which for validation purposes provides confidence in the outcome of the consultation) of whom 75 per cent stated they were currently receiving LCTS. Respondents were also given the opportunity to provide additional comments on the proposed scheme and any alternatives they wished to be considered, which are set out in Annex 1a.
30. The consultation sought views on the proposed scheme for 2024/25 to keep the scheme the same as it currently is. It also sought views on two alternatives to the proposed scheme:
- Alternative 1 – Increasing the maximum level of LCTS to 75 per cent
 - Alternative 2 – Decreasing the maximum level of LCTS to 65 per cent
31. The results from the consultation survey show that:
- Proposed scheme (keep the scheme the same as it is currently) – the most popular response was to agree with this
 - Alternative 1 (increase the maximum support to 75 per cent) – the most popular response was to agree with this
 - Alternative 2 (decrease the maximum support to 65 per cent) – the most popular response was to disagree with this
- The full details of the consultation analysis are set out in Appendix 1 and Annex 1a.
32. Annex 1b provides a summary of the responses received from town, parish and community councils in terms of their views on the proposed LCTS scheme. There were ten responses received from the town, parish and community councils with the

majority of these agreeing with the proposed scheme to keep the maximum level of support at 70 per cent.

33. Annex 1c provides the responses received from the Hampshire and Isle of Wight Fire and Rescue Authority and the Police & Crime Commissioner for Hampshire & Isle of Wight.
34. There remains provision through the Exceptional Hardship Fund which takes into account individual circumstances, including the claimants' income and essential outgoings for a claimant to demonstrate that they require an exceptional hardship award as a result of 'genuine hardship'. This discretionary assistance can be applied for by a claimant to help with any shortfall between their LCTS and council tax liability in accordance with the policy's intentions. This is a potential mitigation action if considered appropriate.
35. The equality impact assessment completed during 2023 has been updated following the consultation exercise and this is set out in Appendix 2 to this report. The equality impact assessment is based on the proposed scheme for 2024/25, and also considers the impacts of the alternative options as detailed in the consultation.
36. The government has determined that under the new CTS scheme arrangements that there can be no reduction for council tax support to pensioners, so the consulted options relate solely to working age claimants.
37. Within the assessment of LCTS, there will remain several sources of income or benefits that are either fully disregarded or have a specific level of disregard applied to them in determining the level of income that is used within the calculation of LCTS. The disregards from certain incomes received were consulted on in previous years and assist those who are disabled, have families and are working to meet some of their household costs.

COUNCIL TAX SUPPORT SCHEME CONSULTATION PROPOSALS

38. The consultation for 2024/25 considered a proposed scheme as well as two alternatives to this. The financial implications of these for the Council are listed below:

	<u>AMOUNT</u>	<u>COST/SAVING TO THE SCHEME</u>
Proposed scheme: To keep the scheme the same as it currently is (maximum level of support = 70 per cent)	£0	N/A
Alternative 1: To increase the maximum level of support to 75 per cent	£366,469	Cost
Alternative 2: To decrease the maximum level of support to 65 per cent	£366,469	Saving

FINANCIAL / BUDGET IMPLICATIONS

39. In addition to the wider considerations in the report such as the outcome of the consultation, the impact on claimants and the equality impact assessment, the overall financial position of the council needs to be taken into account.

40. The SFA funding towards CTS during 2023/24 is estimated at £5.5 million, compared with the cost to the council of the scheme at £8.9 million. This means there is currently a funding gap of £3.4 million.
41. The projected outturn cost of LCTS for 2023/24 was £11.04 million at the beginning of the financial year. This represents the overall reduction in council tax by way of council tax support given under the current scheme and reduces the council tax income to the Isle of Wight Council, Police & Crime Commissioner, Fire & Rescue Authority and town, parish and community councils.
42. At 22 September 2023, the actual expenditure of LCTS was at £10.7 million, of which the council's share is £8.61 million, net of the share of cost attributable to the Police & Crime Commissioner, Fire & Rescue Authority and town, parish and community councils. This is due to both a reduction in caseload, the changes to the working age scheme since 2013 and the increases in council tax, as below.

	Average number of claimants 2015/16	Average number of claimants 2018/19	Average number of claimants 2021/22	Average number of claimants 2022/23	Cost of support 2015/16 £M	Cost of support 2018/19 £M	Cost of support 2021/22 £M	Cost of support 2022/23 £M
Pensioner	6,341	5,385	4,842	4,671	£5.93	£5.99	£6.16	£6.11
Working age	6,995	5,356	5,433	5,276	£5.65	£4.05	£4.14	£4.10
Totals	13,336	10,741	10,275	9,947	£11.6	£10.0	£10.3	£10.2

43. A breakdown of the current CTS cost as at 22 September 2023 is shown below:

	Pension age	Working age	Total
No. of claimants	4,632	5,034	9,666
Cost	£6.3 million	£4.4 million	£10.7 million

44. It can be seen from the above tables that the total number of claimants and spend has been slowly decreasing since 2018, which has been managed through reductions of LCTS to ensure the cost of the scheme remains constant. However, changes to the scheme over the past years to reduce the level of support given the overall financial pressures, has meant that more claimants are struggling to pay their remaining council tax liabilities.
45. At the end of 2022/23, the LCTS caseload dropped below 10,000 claimants for the first time, and it has continued to slowly decrease further during the current financial year. However, this may change as more claimants are moved to Universal Credit from existing legacy benefits over the next couple of years in the DWP's migration process.
46. The current scheme increased the maximum level of support in 2023/24 and requires all working age claimants to pay a minimum of 30 per cent of their council tax with a view to provide more support to LCTS claimants who are experiencing financial difficulty.
47. The council has implemented increases in the total amount of council tax payable each year for the last few years. Where the maximum level of support has mainly

decreased, and the level of council tax has increased, this has also contributed to the difficulties faced by LCTS claimants in paying their council tax.

LEGAL IMPLICATIONS

48. The council will need to set a lawful and balanced budget and council tax level for 2024/25 at the Full Council meeting on 28 February 2024.
49. The Local Government Finance Act 1992 (as amended) stipulates that for each financial year, each billing authority must consider whether to revise its scheme, or to replace it with another scheme. The authority must make any revision to its scheme no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.
50. In finally deciding what form LCTS should take, the council will need to take into account the equality impact assessment of the options, what mitigating actions can be taken to reduce the impact, the results of the consultation exercise, the wider budget position, and the potential impact on council taxpayers and users of council services.
51. There must be proper consideration of the impact of the proposals on relevant groups and Full Council members are required to have read the equality impact assessment to enable them to have due regard to the public sector equality duty before making a decision.
52. CTS schemes are dealt with under 13A of the Local Government and Finance Act 1992 and was added by section 10 of the Local Government and Finance Act 2012 so that, in respect of dwellings in England, a person's liability to pay council tax is reduced in accordance with the billing authority's LCTS. Liability may be reduced "to such an extent as the billing authority thinks fit". Billing authorities can apply a reduction in particular cases or by determining a class of case. Liability for council tax can be reduced to nil.
53. The framework within which billing authorities must devise their council tax reduction schemes is contained in section 13A of the Local Government Act 1992 (as amended).

EQUALITY AND DIVERSITY

54. The council has to comply with section 149 of the Equality Act 2010. This provides that decision makers must have due regard to the elimination of discrimination, victimisation and harassment, advancing equalities, and fostering good relations between different groups (race, disability, gender, age, sexual orientation, gender reassignment, religion/belief, pregnancy and maternity, and marriage/civil partnership). An equality impact assessment has been completed in respect of relevant proposals as part of the decision-making process to enable members to take into account and if necessary, mitigate the impacts as part of the decision-making process.
55. The equality impact assessment for the proposed Local Council Tax Support scheme is attached at Appendix 2 to this report and is required to have been read by Full Council members before making any decision on the scheme.

56. The equality impact assessment at Appendix 2 shows that with the proposed scheme for this year, there is no negative or positive impact on any particular groups of claimants, as the proposal seeks to remain the same as the current scheme.
57. Furthermore, the council has already introduced an exceptional hardship scheme since 2016 and allows any claimant to apply for additional support up to the full level of their council tax and will continue to provide mitigating actions to those deemed to be in genuine hardship and requiring additional support above the LCTS scheme provision.

OPTIONS

58. In relation to all options, the Council must have due regard to the Council's current financial position which currently forecasts significant unfunded budget pressures in order to continue to deliver "steady state" services in addition to the need to identify £2m of approved budget savings for 2024/25 and rising to £6m by 2026/27. In this context, the Council must consider the rationality of any decision it approves in relation to both financial management and continued delivery of council services.
59. There are three options to consider as detailed below:

OPTION 1 – To adopt the proposed scheme and keep the maximum level of support the same as it currently is for working-age claimants in 2024/25, allowing for minor adjustments to applicable amounts.

OPTION 2 – To adopt an alternative scheme, which could be to alter the maximum amount of support provided for working-age claimants in 2024/25, to either 65 per cent or 75 per cent.

OPTION 3 – To continue the current exceptional hardship policy.

RISK MANAGEMENT

60. The financial risks relate to the uncertainty of future growth in cases and eligibility and the potential impact on council tax collection rates, with additional pressures due to the cost-of-living crisis and migration to Universal Credit from an increase in caseload and spend. The projected level of support with estimated collection rates will be included within the council tax base calculations in determining the total of council tax income for 2024/25.
61. The total council tax collection amount as of September 2023 has increased from this time last year due to the rise in the council tax base, however, on a percentage recovery compared to this time last year, collection has reduced by 1.17 per cent. This comparison includes the sum paid to council tax accounts for the energy rebate scheme in 2022. Adjusting for these energy payments, like for like collection has actually reduced by 0.6 per cent from this time last year. The council tax base continues to increase, meaning there is more to collect and therefore a like for like comparison to previous years is not reflected on the same tax base.

62. The assumption is that overall ultimate collection levels will remain broadly the same of the additional council tax to be collected from working age claimants impacted. This is uncertain but considered prudent.
63. As at May 2023, the retrospective debt for LCTS cases going back to 2013 equated to £2.52 million with collection continuing for prior years. From analysis, the highest amount of debt outstanding is from those on a passported benefit (Income Support, Jobseekers Allowance and Employment and Support Allowance). Twenty-five per cent of these claims have at least one liability order awaiting payment for debt outstanding on council tax accounts. Fifteen per cent of all working-age LCTS cases have at least one liability order awarded for unpaid debt. Therefore, further reductions in support may create additional debt to ultimately collect or write off.
64. Adopting a scheme which incorporates an increase in the maximum level of support provided through LCTS (as detailed in Alternative 1 of the consultation) will pose a financial risk to the council in trying to balance the budget.
65. Adopting a scheme which incorporates a decrease in the maximum level of support provided through LCTS (as detailed in Alternative 2 of the consultation) may pose a financial risk to those residents on the lowest incomes in society.
66. With the level of debt, which is increasing on LCTS cases, the current analysis provides that residents in receipt of LCTS are struggling to pay the current levels of council tax, and therefore the proposed scheme provides some stability by not decreasing the level of support provided.
67. In the council's budget approved in February 2023, there is a forecast revenue budget gap of £6 million for the three-year period between 2024/25 and 2026/27. It is anticipated that the impact of the Covid-19 pandemic will continue to be felt in the medium term and that there will be ongoing impacts on care services, some sources of income, and both council tax and business rates receipts. This, alongside high inflation rates, will also present a significant challenge for trying to balance the budget.
68. Any risk in collection rates is minimised and mitigated in part by the exceptional hardship fund which is available to assist any claimants suffering from severe hardship and is available for LCTS customers to apply for help and support in assisting to pay shortfalls in their council tax liability. Over the course of the past two years there has been an increase in the number of requests for exceptional hardship fund assistance.

EVALUATION

69. Each year the council must undertake a review of the LCTS scheme for working age applicants, to reflect the funding available to support the scheme, as well as the flexibility to design the scheme according to need.
70. Since the LCTS scheme commenced in 2013, the level of debt has slowly been increasing as the level of support has been reduced. As LCTS claimants are struggling to pay the residual level of council tax after support has been awarded, the proposed scheme (subject to affordability) has been put forward to maintain the level of support to LCTS claimants at 70 per cent.

71. The proposed scheme would in effect mean the continuation of the existing scheme, which acknowledges the Council's current overall financial position as well as provides some stability to claimants.
72. To support claimants, the council introduced an exceptional hardship scheme in 2016 which allows any claimant to apply for additional support up to the full level of their council tax liability and would continue to provide additional support above the LCTS scheme provision to those deemed to be in genuine hardship. This scheme is offered to claimants and published widely to offer help and support.

APPENDICES ATTACHED

- Appendix 1: Summary of responses to consultation.
 - Annex 1a: Additional written text responses to the consultation.
 - Annex 1b: Comments received from town, parish and community councils to the consultation.
 - Annex 1c: Comments received from the police and fire authority.
- Appendix 2: Equality impact assessment council tax support scheme.
- Appendix 3: Examples of impact on claimants.
- Appendix 4: Draft local scheme policy based on proposed scheme.
- Appendix 5: Draft exceptional hardship fund policy
- Appendix 6: CSDIA Rationale

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