



Cabinet Report

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| Date | 16 DECEMBER 2021 |
| Title | COUNCIL TAX SUPPORT SCHEME 2022/23 |
| Report of | CABINET MEMBER FOR STRATEGIC FINANCE, CORPORATE RESOURCES AND TRANSFORMATIONAL CHANGE |

EXECUTIVE SUMMARY

1. Each year the council is required to review its local 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 directly government funded council tax benefit scheme. The CTS scheme is indirectly funded through the Settlement Funding Assessment (SFA), but this funding 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. This report details the proposal to make no changes to the scheme and makes recommendation to councillors to this effect for the 2022/23 scheme effective from 1 April 2022.

RECOMMENDATION

5. Option 2 - To maintain the current LCTS scheme at 65 per cent but allowing for any minor adjustments to annual allowable amounts which are used to offset the calculation.

BACKGROUND

6. CTS was introduced by central government in April 2013 as a replacement for the Council Tax Benefit scheme (CTB) administered by local authorities 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.
 - An initial reduction in funding equivalent to 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 CTS, would be dealt with under regulations prescribed by central government and not the authorities' local scheme.
7. Since that time, funding for CTS has been amalgamated with other central government grants paid to local authorities and also within the Business Rates Retention scheme as part of the SFA. It is now not possible to identify the amount of funding actually provided from central government sources for the CTS scheme.
 8. The current support scheme created by the council known as Local Council Tax Support (LCTS) 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.
 9. 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 LCTS support can only be made to the working age scheme.
 10. When LCTS was introduced in 2013, the council broadly adopted the previous means tested CTB 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. These are as follows:

For 2013/14 the council agreed the following:

- To reduce maximum entitlement for working age non vulnerable claimants to 91.5 per cent, decreasing to 80 per cent of their council tax liability in the 2014/2015 scheme.
- To safeguard those claimants, their partner, or disabled dependent child who are deemed working age 'vulnerable' in respect of disability and related allowances by ensuring that the new LCTS provided the same level of assistance as the previous CTB.
- Removing the 'second adult rebate' for working age claimants.

For 2014 to 2016 the council agreed the following:

- Year two (2014/15) and year three (2015/16) restrict local council tax support to a maximum of 80 per cent of council tax liability. To provide a blanket protection for those claimant's, their partner or dependent child, in receipt of disability and related allowances.
- To introduce the ability to apply a minimum income floor for self-employed earners, as created under the Welfare Reform Act 2012.

For 2016 to 2017 the council agreed the following:

- Removal of Family Premium from May 2016
- Backdating requests for LCTS, limited to one calendar month
- Minimum living wage for self-employed claimants after a start-up period of one year
- Removal of the blanket protection for certain claimants (maximum LCTS limited to 80 per cent of Council Tax liability)
- Reduce the capital limit for those with assets from £16,000 down to £6,000 to be eligible to claim LCTS.

For 2017 to 2018 the council agreed the following:

- Reduce the period for which a person can be absent from Great Britain and still receive council tax reduction from 13 weeks to 4 weeks (this brought the LCTS in line with the changes in Housing Benefit announced by central government at the time);
- Remove the element of a Work-Related Activity Component in the calculation of the current scheme for new Employment Support Allowance claimants (this brought the LCTS in line to mirror changes in Housing Benefit);
- To limit the number of dependent children within the calculation of LCTS to a maximum of two for any new children born on or after 1 April 2017 (this brought the Council Tax Reduction Scheme in line with changes being introduced by central government to universal credit, tax credits and housing benefit);
- To remove entitlement to the Severe Disability Premium where another person is paid Universal Credit (Carers Element), (this brought LCTS in line with the changes in housing benefit announced by central government in April 2017).

For 2018 to 2019 the council agreed the following:

- To provide maximum entitlement for working age claimants to 70 per cent of their council tax liability;
- Restricted to a maximum Band C valuation if a property is banded D or above (Band C is the average level of tax for claimants);
- Bereavement benefit changes (aligned the LCTS with the housing benefit scheme which disregards Bereavement Support as part of the National Welfare Reform changes).

For 2019 to 2020

- No changes

For 2020 to 2021 the council agreed the following:

- A Banded scheme which was introduced to simplify the scheme for customers and the service because of the effects of Universal Credits on the number of changes to the council tax records.

For 2021 to 2022

- Reduction from 70 per cent to 65 per cent maximum support;
- Remove the current blanket protection of claimants in receipt of a disability benefit;
- Disregard the housing element of Universal Credit as income. This element was brought in for equality purposes and was a positive change impacting working age applicants in receipt of Universal Credit and disregard the housing costs in the calculation of the universal credit calculation.

STRATEGIC CONTEXT

11. Each year the council is required to review its local CTS in accordance with the requirements of Schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.
12. The LCTS scheme needs to be considered in the context of the council's overall budget strategy and the financial impact on the ability to deliver services. The proposals within this report remain aligned to 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

13. The Local Government Finance Act 1992 (as amended) states the circumstances when consultation must take place with both the public and major precepting authorities.
14. Where an authority considers the replacement of their existing scheme, then full consultation is required. Where the scheme is to remain unchanged, then no consultation is required.
15. The recommendation made in this report is to maintain the current level of support and make no further changes to the scheme for the period April 2022 – 2023.

FINANCIAL / BUDGET IMPLICATIONS

16. The amount of LCTS being provided has reduced significantly since its introduction in 2013.
17. The total expenditure at 31 March 2021 was £10.4 million and at 30 July 2021 the expenditure was at £10.5 million, of which the council's share is £8.5 million, net of the share of cost attributable to the Police and Crime Commissioner, Town and Parish Councils and Hampshire and Isle of Wight Fire Authority. Since 2013 there has been a reduction in expenditure of £3.3 million which has already been reflected in previous years budgets. This is due to both a reduction in caseload and the changes to the working age scheme since 2013.
18. The assumed SFA funding towards the CTS scheme during 2021/22 is £5.2 million. Based on the council's share of the 2021/22 cost of £8.5m, there is currently an indicative funding gap of £3.3 million.

19. A breakdown of the current LCTS expenditure is shown below as well as a comparison on caseload and spend since 2013.

| | Pension age | Working age |
|---------------------------|-------------|-------------|
| No. of claimants | 4956 | 5556 |
| Cost (August 2021) | £6,241,104 | £4,230,155 |

| | Average number of claimants 2012/13 | Average number of claimants 2015/16 | Average number of claimants 2019/20 | Average number of claimants 2020/21 | Cost of support 2012/13 £M | Cost of support 2015/16 £M | Cost of support 2019/20 £M | Cost of support 2020/21 £M |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Pensioner | 7,460 | 6,341 | 5,214 | 5,011 | £6.9 | £5.93 | £6.14 | £6.09 |
| Working age enhanced premiums (disabled) | 1,850 | 3,320 | 3,508 | 3,725 | £1.7 | £3.46 | £2.78 | £3.27 |
| Other working age | 6,050 | 3,675 | 1,838 | 1,978 | £5.2 | £2.19 | £1.33 | £1.03 |
| Totals | 15,360 | 13,336 | 10,560 | 10,714 | £13.8M | £11.6M | £10.3M | £10.39M |

20. It should be noted that the authority cannot vary the level of LCTS support provided to pension age claimants.

Council tax in year collection summary

21. There has been a reduction in the overall council tax year on year collection figures from 97.80 per cent to 96.2 per cent of all council tax monies collected in year. These figures are taken from the annual council tax in year collection recorded rates. It should however be noted that the level of council tax liability to collect each year has risen from £68.820 million in 2013 to £106,130 million in 2021.

| Date | liability | receipts | collection/rate | outstanding |
|-------------|--------------|--------------|-----------------|-------------|
| 2012-2013 | £68,820,136 | £67,307,674 | 97.80% | £1,512,461 |
| 2013-2014 | £71,809,636 | £70,138,623 | 97.67% | £1,671,013 |
| 2014-2015 | £75,228,421 | £73,448,016 | 97.63% | £1,780,405 |
| 2015-2016 | £78,290,900 | £76,504,564 | 97.72% | £1,786,336 |
| 2016-2017 | £83,945,132 | £81,838,764 | 97.49% | £2,106,368 |
| 2017-2018 | £90,236,837 | £87,862,657 | 97.37% | £2,374,180 |
| 2018 - 2019 | £97,846,214 | £94,769,049 | 97% | £2,898,293 |
| 2019 - 2020 | £102,877,622 | £101,541,807 | 96.58% | £1,335,818 |
| 2020 - 2021 | £106,130,051 | £102,054,330 | 96.2% | £4,075,721 |

22. The amount of council tax still to be collected and undergoing recovery action from LCTS applicants amount £1.7 million since commencement of the LCTS scheme.

23. On the 1 April 2013, the service had 487 active requests to make deductions from benefit payments to repay council tax indebtedness (attachments) with the Department for Works and Pensions (DWP) and 1877 further attachments which are awaiting previous attachments to be cleared, with some residents having more than one attachment, with the debt to collect increasing year on year.
24. During the pandemic there has been a fluctuating need for support from LCTS and the number of cases and spend has therefore increased as some residents were affected and remain affected financially.
25. Last year, to provide some financial support during the pandemic, central government provided initiatives to support people nationally, however, many of these are no longer available in 2021. In addition, a pause was made on recovery actions being taken during the pandemic in 2020, which have now resumed.
26. All these factors may affect residents as they try to recover from the effects of the past eighteen months.

IMPACT ON YOUNG PEOPLE AND FUTURE GENERATIONS

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

LEGAL IMPLICATIONS

28. The council will need to set a lawful and balanced budget and council tax level for 2022/23 at the Full Council meeting on 23 February 2022.
29. 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.
30. In finally deciding what form the local CTS should take, the council will need to take into account what mitigating actions can be taken to reduce any potential impact, the wider budget position, and the potential impact on council taxpayers and users of services.
31. 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.
32. LCTS 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.

33. 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

34. 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.
35. An LCTS 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 LCTS 2016/17 scheme changes agreed by Full Council on 20 January 2016. This provision has been reviewed each year by Full Council with the last agreement to continue the scheme agreed on 20 January 2021 and continues to provide support for those in genuine hardship.
36. Discretionary assistance can be applied for to assist a claimant with any shortfall between their CTS and council tax liability in accordance with the policy's intentions. This requires individual applications and takes into account individual circumstances including the claimant's income and essential outgoings.
37. This provision will continue to provide mitigating actions to those deemed to be in genuine hardship and requiring additional support above the LCTS scheme provision.

OPTIONS

38. Option 1 - The need to review the level of support, given the overall costs of the scheme and whether the maximum level of support for working age cases should be either increased or reduced requires formal consultation to be undertaken, however there is insufficient time available to conduct such consultation within the timeframes available to us for the financial year 2022/23. Whilst retaining the current level of support therefore, it is the intention to consider the restoration of support in the coming years subject to wider budget considerations.

Option 2 – To maintain the current LCTS scheme at 65 per cent but allowing for any minor adjustments to applicable amounts.

RISK MANAGEMENT

39. Option 1 would have a financial impact on council budget depending on whether the maximum level of support is either increased or decreased. It is considered to have financial risks for the council due to the uncertainty of future growth in cases for LCTS eligibility and the potential impact on council tax collection rates, with the additional pressures that the COVID-19 pandemic situation has brought by way of 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 2022/23.

40. The total council tax collection as of July 2021 has also 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 is down by 0.4 per cent, due to the COVID 19 pandemic situation, and the ability to progress debt recovery. The amount of council tax collectable continues to increase each year due to percentage increases and therefore a like for like comparison with previous years does not represent the true position. However, for 1 August 2020 the level of council tax collected was £40,417,598 million compared to 1 August 2021 being £43,718,748 million.
41. An assumption is made 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.
42. The retrospective debt for LCTS cases going back to 2013 now equates to £1.7 million with collection continuing for prior years. From analysis the highest amount of debt outstanding is from those on a passported benefit (someone on income support, jobseekers' allowance and employment and support allowance) of which 659 claims have a liability order awaiting payment for debt outstanding on council tax accounts. With the entire LCTS caseload having a total of 3,187 liability orders. Therefore, further reductions in support may create additional debt to ultimately collect or write off.
43. Option 1 If full council were to decide to decrease the level of support for the year 2022/23 this would have a negative effect on claimants because they have already experienced a reduction of five per cent in 2021/22. The effects of the pandemic and the level of debt which is accumulating from the non-payment of council tax would put additional pressures on vulnerable residents. There is also insufficient time to conduct the required public consultation on this option but can be further considered for the 2023/24 financial year once there is better understanding of the longer-term impact of the pandemic. Option 1 therefore is not recommended.
44. Option 2 being put forward as recommended for adoption to LCTS for 2022/23 is to make no changes to the scheme, apart from annual minor adjustments to annual allowable amounts which are used to offset the calculation. Making no changes would provide some stability for low-income claimants during the pandemic recovery.
45. The option being put forward as recommended for adoption is option 2.
46. Any risk in collection rates is currently being 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.

EVALUATION

47. 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.
48. Considering the results from the review of the LCTS scheme, it is clear that any further reductions in support as identified by Option 1 are not likely to produce

significant savings and it is likely that there would be a further reduction in council tax collection levels.

49. As described in this report the level of support was reduced with effect from the 1 April 2021, and further reductions in LCTS support during this vulnerable period to those in need of help and support would only cause financial hardship to individuals.

APPENDICES ATTACHED

50. Appendix 1: draft Local Council Tax Support scheme policy 2022/2023 based on recommended option
Appendix 2: Equality impact assessment council tax support scheme
Appendix 3: Exceptional Hardship Fund revised draft policy

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