

CABINET

THURSDAY, 3RD DECEMBER 2020

COUNCIL

TUESDAY, 15TH DECEMBER 2020

REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE

LOCAL COUNCIL TAX REDUCTION SCHEME 2021/22 ONWARDS

EXEMPT INFORMATION

This proposal is not exempt information for the purposes of Part 1 of Schedule 12 (A) of the Local Government Act 1972

PURPOSE

To advise members that the Local Council Tax Reduction Scheme for working age customers for 2021/22 should include continued alignment to Applicable Amounts with those of Housing Benefit.

RECOMMENDATIONS

- 1. That Council consider and endorse or otherwise the proposed recommended changes detailed below:**
- 2. That the planned review for the introduction of a banding scheme for Council Tax Reduction be deferred until 2021 and that the current scheme for working age customers continues to be aligned to Applicable Amounts with those of Housing Benefit for 2021/22.**

EXECUTIVE SUMMARY

This report updates Members on the proposals to review the Local Council Tax Reduction Scheme (LCTRS) for implementation on 1 April 2021.

Proposals were submitted to Corporate Scrutiny committee on 14th November 2019 for a need to review the current Council Tax Reduction Scheme along with three modelled options with the aim to finalise a new scheme for consultation this autumn.

The proposal was to replace the current 'traditional scheme' for working age claimants which was modelled in 2012 (and implemented in April 2013) based on the national Council Tax Benefit and has had various amendments made annually to continue to align to legislation changes in Housing Benefit.

The national scheme regulations continue for pensioners, which mirror the obsolete Council Tax Benefit Scheme.

At the meeting, Members reviewed the proposals in detail and asked for further modelling to be carried out (for up to 100% supported scheme) and reported back to committee in 2020.

However, in light of the unprecedented situation following the COVID-19 Pandemic, it is now suggested that the review be postponed until 2021 when the situation will be clearer. The potential longer-term consequences of recession and unemployment on demand for the scheme have yet to be experienced. It will be many months before we have a clearer idea on how the economy has responded to the recovery process including any lasting effects for individual businesses and their employees.

Reports recommending this approach were considered and approved by the Corporate Scrutiny on 25th August 2020 and Cabinet on 10th September 2020.

OPTIONS CONSIDERED

The current scheme for most working age customers bases an award on a maximum of 75% of their Council Tax liability. Those who receive a Severe Disability Premium, or who have a disabled child and those who receive a War Widows/War Disability Pension or Armed Forces Compensation Scheme payment have their awards based on 100% of their liability, known as Protected Groups.

Pensioners also continue, under the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, to have their awards based on 100% of their Council Tax liability.

Members at both Cabinet and Corporate Scrutiny Committee meetings had previously reviewed proposals to introduce a Banded Scheme, for implementation in 2021/22, starting on 1 April 2021, which would remove much of the complexity associated with the current scheme, whilst at the same time maintaining fairness and equality in the way in which awards are distributed amongst Council Tax payers. Further reports were due to be submitted to both Cabinet and Corporate Scrutiny, to include detailed cost forecasting and scheme principles with the aim to finalise a new scheme for Public consultation in autumn 2020.

However, in light of emerging issues from the COVID-19 pandemic, the potential implications for the scheme need to be considered.

The current 'traditional scheme' has largely been unaffected by the changes to the Welfare system as announced by the government in response to the outbreak of COVID19. The current scheme has been able to react quite quickly to the changes in claimants' income, therefore ensuring that they have not lost any Council Tax Reduction. For example, the government in response to COVID19 announced that the standard allowance of Universal Credit would increase by £1000pa. Under the current traditional LCTR scheme, this had the effect of increasing the applicable amount by the equivalent UC increase and therefore had no detrimental effect any entitlement to Council Tax Reduction. Under a banding scheme this additional income could have had the effect of dropping a claimant into a lower council tax income band and thereby reducing CTR entitlement between 20-25% depending on the banding scheme percentage bands. In order to compensate each claimant for any loss to

their Council Tax Reduction, for each claim affected, the funding would have to be made from out of the Council's own budgets / Hardship Fund which would be insufficient to cope with the additional demand.

In addition, there has been and still is much uncertainty, of the effects of the Furlough scheme which was recently extended to March 2021 after being introduced in August to run initially to the end of October. Before this announcement was made, from around mid-October, there was a significant increase in benefit applications as employers were clearly faced with the decision on what to do with their furloughed employees. There may be further impact on the welfare system yet to come, and around the uncertainty of how the economy recovers and when.

To attempt to model a new Council Tax Reduction Banding scheme at this point in time would be a constant moving target. LCTR applications have increased by around 500% from late March which has resulted in the working age claim base increasing from 2613 in February to 3081 in October. As a result, expenditure of the scheme has also increased from £4.1m in 2019/20 to £4.5m (of which £2.1m relates to pensioners).

Continued alignment of the scheme with applicable amounts for the Housing Benefit scheme should be considered. This is not a legislative requirement for those of working age, but a decision for this Council. This will prevent confusion between schemes and reduce administrative burdens. Furthermore, it would reflect any cost of living rises allowed by the Government.

In light of the proposals contained within this report, there are no proposed changes to the scheme for 2021/22 other than the usual alignment with Housing benefit which is a minor change and did not require a formal consultation.

RESOURCE IMPLICATIONS

Latest figures confirm that £4.51m has so far been awarded in Local Council Tax Reduction (LCTR) for 2020/21, to both working age and pensioner customers of which £2.4m relates to working age claimants. The live caseload has increased by approximately 17% since January 2020, which is as a direct consequence of the COVID-19 pandemic. However, many of the existing claims have also seen an increase in the amount of LCTRS they receive due to loss of income.

The Welfare Reform Act abolished Council Tax Benefit from 1 April 2013. It was replaced by a new Local Council Tax Reduction Scheme for working age customers. A national scheme of regulations was introduced for pensioners, which mirrors the obsolete Council Tax Benefit Scheme.

Grant funding was reduced and is distributed by the Ministry of Housing, Communities and Local Government rather than the Department for Work and Pensions. Outturn for the 2019/20 scheme was £4.14m of which the Authority's share was £426k (10.3% of the impact on the Collection Fund). At inception, the scheme design was modelled to ensure that the Authority complied with the Central Government requirement to achieve a 10% reduction in benefit cost but without increasing the burden of cost to the Council Tax Payer. However, it

has been assumed that Revenue Support Grant (RSG) will cease to be paid from 2022 and the Council will have to fund the scheme from its own resources and retained Business Rates income in the future.

The impact of grant funding and expenditure is closely monitored on a regular basis to identify whether the scheme is achieving its objectives but also not increasing cost burdens to the Medium Term Financial Strategy. The current maximum level of award under the existing scheme is 75%. Current financial modelling indicates that although grant levels are reducing the scheme maxima should not be changed for the 2021/22 scheme as it would add further potential hardship to claimants. This position is under regular review. Members should be aware of the impact of the Central Government Grant reductions when formulating the scheme for 2021/22 as any subsequent changes to the scheme governance arrangements, would require a consultation exercise.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Ministry of Housing, Communities and Local Government have confirmed that consultation on the scheme is not required annually if it is not amended. Other than the yearly alignment of applicable amounts to those of Housing Benefit, there are no other proposed changes to the LCTR Scheme for 2021/22 and therefore no consultation has been required.

Section 13 A(2) and Schedule 1A of the Local Government Finance Act 1992, as well as Schedule 1A, paragraph 16 of the Local Government Finance Act 2012 legislate that the scheme must be agreed annually by full Council.

EQUALITIES IMPLICATIONS

Full Equality Impact Assessments were considered and taken into account when the scheme was initially finalised and agreed.

SUSTAINABILITY INFORMATION

Funding for the replacement of the previous Council Tax Benefit Scheme was changed from an unrestricted reimbursement of Council Tax Benefit Subsidy to a restricted, pre-allocated grant figure – which has subsequently been reduced year on year as part of the austerity measures. The Council must be aware that there must be a contingency if, for instance, a major local employer goes into administration.

BACKGROUND INFORMATION

The Welfare Reform Act 2012

http://www.legislation.gov.uk/ukpga/2012/5/pdfs/ukpga_20120005_en.pdf

The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Regulations) 2012

REPORT AUTHOR

If Members would like further information or clarification prior to the meeting please contact Jane Smith, Head of Benefits (Ext.355), Lynne Pugh, Assistant Director Finance (Ext.272), or Stefan Garner, Executive Director Finance (Ext. 242).

Background Papers: -	Local Council Tax Reduction Scheme 2020/21, Corporate Scrutiny Committee 25 th August 2020 & Cabinet 10 th September 2020.
	Local Council Tax Reduction Scheme 2020/21 Onwards and Consultation Results, Council 10 th December 2019
	Local Council Tax Reduction Scheme 2021/22, Corporate Scrutiny Committee, 14 th November 2019
	Local Council Tax Reduction Scheme 2021/22, Cabinet 26 th September 2019

APPENDICES

Appendix 1 Local Council Tax Reduction Working Age Expenditure Summary

Appendix 2 Local Council Tax Reduction Caseload Summary

Appendix 3 Equality Impact Assessment Pensioners & Severely Disabled