

**South Lakeland District Council**  
**Council**  
**Tuesday, 23rd February 2021**  
**Review of the Local Council Tax Reduction Scheme**  
**2021**

---

**Portfolio:** Finance and Resources Portfolio Holder  
**Report from:** Director of Customer and Commercial Services  
**Report Author:** Vicky McDonald – Operational Lead Case Management  
**Wards:** (All Wards);  
**Forward Plan:** Included in the Forward Plan as published on 18 December 2020

---

**1.0 Expected Outcome**

- 1.1 On 1<sup>st</sup> April 2013 the national Council Tax Benefit Scheme was abolished and replaced with a locally determined scheme known as the Local Council Tax Reduction Scheme. This Council introduced a scheme that mirrored the previous national scheme which meant that nobody was worse off under the Local Scheme and the most vulnerable people in our district were protected from any reductions in support.
- 1.2 After considering options for change including the additional income, costs and risks associated with any changes it is expected that the current scheme will continue unchanged for the financial year 2021/22. This is with the exception of applying the annual upratings and other minor income and capital disregards, and treatment of persons from abroad aligned to other means tested benefit schemes as detailed in the recommendations in this report and reflect the issues included in Section 3.6.
- 1.3 The retention of the existing scheme offering support up to a maximum of 100% of the Council Tax plays a key role in supporting the Council's objective of helping to tackle poverty and inequality.

**2.0 Recommendation**

**2.1 It is recommended that Council:-**

- (1) Approves and adopts the current Local Council Tax Reduction Scheme it being the most appropriate scheme for this Council for the financial year commencing 1<sup>st</sup> April 2021 subject to the Operational Lead Case Management in consultation with the Finance and Resources Portfolio Holder being authorised to :**
- (a) make all necessary updates to this Council's Council Tax Reduction Scheme to comply with any statutory requirements that may be issued by central government.**
  - (b) make all necessary amendments to the Council's Council Tax Reduction Scheme to uprate the allowances and premiums in**

**accordance with the HB Circular A1/2021 regarding annual upratings issued in January 2021 by the Department of Work and Pensions.**

- (c) publish the updated scheme in accordance with the Local Government Finance Act 2012.**

### **3.0 Background and Proposals**

The Local Government Finance Act 2012 (as amended) now requires Local Authorities to approve their Council Tax Reduction Scheme on an Annual Basis by the 11th March for the following financial year (was previously 31st January). The Council's current scheme can be found by accessing the link under background documents below.

- 3.2 On the 18th December 2012 (Minute C/70) Full Council resolved to adopt the Default Scheme as prescribed by the Secretary of State as the Council's Local Council Tax Reduction Scheme to replace Council Tax Benefit from 1st April 2013 and the costs of the scheme to be funded by reducing Council Tax discount on second homes from 10% to 0%. The local arrangements for fully disregarding War widow's pensions, war disablement pensions and Armed Forces Compensation payments were to remain in the calculation of income for the scheme.
- 3.3 Central Government had previously paid 100% grant to Local authorities under the national scheme but on the transfer of responsibility the grant was reduced to 90%. This Council, with the support of Cumbria County Council and the Cumbria Police Authority met the cost of the 10% grant reduction, about £560,000 by making technical changes to Council Tax. This included removing the discount on second homes, introducing a 100% Council Tax on properties unoccupied over 6 months and a 50% premium on properties empty for over 2 years.
- 3.4 On the 17th December 2013 (Minute C/65) Full Council resolved that the Local Council Tax Reduction Scheme for 2014/2015 would remain unchanged subject to the annual uprating of applicable amounts, premiums etc. in accordance with either the Housing Benefit Scheme Regulations or the Local Council Tax Reduction Prescribed Scheme for pensioners.
- 3.5 Minute C/65 of Full Council on the 17th December 2013 resolved that the next review of the scheme be undertaken in July 2014. A review was undertaken on the 15th July 2014 by Overview and Scrutiny Committee who recommended that the existing scheme which mirrors the previous Council Tax Benefit Scheme is the most appropriate for this Council. Overview and Scrutiny Committee examined some of the changes made by other local authorities and assessed the impact of those changes both on applicants and on Council Tax collection levels.
- 3.6 On the 25<sup>th</sup> February 2020 (Minute C/69) Full Council resolved to maintain the existing scheme for 2020/21.
- 3.7 On 12<sup>th</sup> January 2021 the Government laid before Parliament The Council Tax Reduction Schemes (Prescribed Requirements) (England)(Amendment) Regulations 2021 which comes into force on 11<sup>th</sup> February 2021. The Regulations require pension-age schemes to make provision for the treatment of the following payments:
- a) Payments of universal credit during the relevant assessment period (from the date of qualifying age for state pension credit and the day on which the last assessment period for universal credit ends) are to be disregarded when calculating an applicant's income and capital.

b) Payments relating to the Grenfell Tower fire. These include payments made out of certain charitable funds, support payments made by the council of the Royal Borough of Kensington and Chelsea, and payments made under the Grenfell Tower Residents' Discretionary Fund, and the National Emergencies Trust. These payments are to be disregarded when calculating an applicant's income and capital.

The Regulations make minor amendments relating to the requirement that persons treated as not being habitually resident in Great Britain must not be included in an authority's scheme, and that those with a right to reside under EEA Regulations should be included in the scheme. In addition to annual upratings of applicable amounts and non-dependant deductions, other very minor changes relate to the treatment of certain compensation payments. The Council scheme will be updated to reflect these requirements.

3.8 The Council's scheme has not been reduced to reflect the changes announced in the Budgets of July 2015 or March 2016 which would adversely affected some of our resident's entitlements to support. These are:

- Removal of Family Premium for new claims
- Reduction of backdating period from 6 months to 1 month
- Freezing of Applicable amounts within Housing Benefit until 2020/21
- Withdrawal of Council Tax Reduction where a person leaves the Great Britain for 4 weeks or more
- Limiting the number of dependants additions to a maximum of 2 (This will apply to all Housing Benefit cases with effect made on or after 1<sup>st</sup> April 2017)
- Removal of the Employment & Support Allowance Work Related Activity Component

As it stands the implications and the impact of these changes continue to be limited in regard the overall cost of the Council's scheme, however they will be monitored going forward. Implementation of these national welfare proposals would result in a requirement to undertake a full consultation process as they would be classed as significant changes to the Council's existing scheme. It was anticipated that this would be considered again as part of the review process for the 2021/22 scheme, however, responding to the COVID 19 pandemic has prevented a full review taking place.

3.9 In the current financial year 2020/21 awards under the Local Council Tax Reduction Scheme currently total £6,041,346 (£5,129,675 in 2019/20). There has been a significant increase of financial awards in 2020/21, deriving from the economic impact of COVID 19 pandemic and the significant increase in universal credit awards within South Lakeland resultant of those impacts. The post pandemic economic recovery will impact on future expenditure, and further council tax increases will increase the upward pressure of the scheme.

- 3.10 The table below gives a breakdown of the caseload and awards in respect of each group at the end of December 2020 (March 2014 figures in brackets).

Group	Number of Claimants	Amount of Reduction awarded
Pension Age	2,150 (3,146)	£2,547,401 (£3,071,000)
Working Age	2,706 (2,684)	£3,493,945 (£2,293,000)
<b>TOTAL</b>	<b>4,856 (5,830)</b>	<b>£6,041,346 (£5,364,000)</b>

Should any changes be considered to the Local Council Tax Reduction Scheme these could only apply to Working Age applicants. 56% of applicants fall into this category. This would also trigger the legal requirement to undertake a formal consultation process to amend the council's scheme.

- 3.11 The current scheme in its present state continues to provide those residents in South Lakeland on the lowest income the maximum amount of support with their council tax liabilities. In common with all other Cumbrian LA's maintaining our current scheme for April 2021 keeps South Lakelands position as one of only 36 councils (April 2018) offering a fully funded council tax reduction scheme for working age claimants.
- 3.12 In the spring budget the Government announced the introduction of the Council Tax Hardship Fund to support economically vulnerable people and households in response to COVID-19, with the expectation that the authorities would use their discretionary powers to provide council tax relief alongside existing Local Council Tax Support schemes to all working age recipients of Council Tax Reduction during 2020/21. In addition, it was expected that the Council may also want to use some of this funding to deliver increased financial assistance having considered local circumstances
- 3.13 The funding allocated to the council was £487,092. The expectation was that billing authorities would award a further reduction of £150, if net Council Tax liability exceeded this amount. If net liability was less £150, then relief should be awarded up to the amount of net liability. Having allocated grant to reduce the Council Tax bill of all working age recipients by a further £150, billing authorities were requested to establish their own local approach to using any remaining grant to assist those in need.
- 3.14 Following a review of working age Council Tax reduction scheme recipients and further financial modelling, South Lakeland District Council increased the maximum support available from £150 to £300, to reduce the net council tax liability of all working age recipients of local council tax support throughout 2020/21, through an Emergency Non Executive Decision (007) on 29 April 2021.
- 3.15 It is not anticipated that additional funding will be available for 2021/22 to continue this additional support and that the £300 additional relief will cease after 31 March 2021.

#### **4.0 Consultation**

- 4.1 Overview and Scrutiny Committee reviewed the current scheme at a meeting on 15<sup>th</sup> July 2014 and this formed part of the consultation process. A representative from the Cumbria Rural Citizens advice Bureau addressed the meeting. The Committee resolved (O & S /9) that:
- (1) it is recommended to Cabinet that the current Local Council Tax Reduction Scheme is the most appropriate scheme for this Council for the financial year commencing 1st April 2015.

- 4.2 There has been no change in circumstances and therefore it is suggested that there is no reason for Overview and Scrutiny Committee to re-consider the matter in relation to the scheme commencing on the 1<sup>st</sup> April 2021.
- 4.3 Cumbria County Council and the Police and Crime Commissioner have been consulted on the proposal to retain our existing scheme. This consultation letter stated that no major changes have been examined with regard to the Council's existing scheme. Any major changes would mean a full consultation exercise would have to be undertaken.
- 4.4 Cabinet supported the scheme at their meeting on the 3<sup>rd</sup> February 2021.
- 4.5 Should any significant changes be made to the current scheme then a public consultation exercise would have to be undertaken.

## **5.0 Alternative Options**

- 5.1 The Council is under no legal obligation to offer a Council Tax Reduction Scheme for Working Age residents. Therefore in theory it could reduce the amount of support offered to this group from 100% to any figure it chose including having a full charge irrespective of income. The vast majority of councils reduce the amount of Council Tax Reduction for Working Age claimants between 10% and 30% resulting in annual average charges of just over £200 per annum for those on the lowest income in this group. All Cumbrian Local Authorities continue to have a zero charge for this group. A number of authorities are reviewing their schemes to reduce the contributions from claimants as they have found these contributions difficult to collect and have seen increased levels of write-offs.
- 5.2 There are numerous ways in which the current Local Council Tax Reduction Scheme could be changed: These were fully examined as part of the Overview and Scrutiny review and were considered as part of the decision making process in approving the scheme for 2015/16. No further examination has taken place since this review apart from a brief indication of the likely income that could be generated if a minimum charge was to be introduced for Working Age Recipients of Council Tax Reduction.
- 5.3 It is likely that a review of South Lakeland's Council Tax Reduction Scheme will be undertaken in 2021, to assess the impacts on the scheme following the full rollout of Universal Credit in South Lakeland. It is likely this review will be undertaken as part of a wider Cumbria review, should there be appetite to do so. During 2020/21, there was no Cumbria wide appetite to do so.

## **6.0 Links to Council Priorities**

- 6.1 The Council Plan 2021/2026 includes a priority of Delivering a fairer South Lakeland – A South Lakeland for everyone. The outcome is to create a District where everyone has access to the same opportunities, life chances and potential to lead safe, healthy, happy and fulfilled lives.
- 6.2 Several Welfare Reform changes have already been implemented, including the abolition of the Council Tax Benefit Scheme and introduction of its replacement, the Local Council Tax Reduction Scheme. Universal Credit full service was also rolled out in South Lakeland between September and December 2018. The Council has provided a large amount of information about the ways the changes will affect individuals and worked closely with our social landlords and other agencies to try as far as possible to reduce the impact on vulnerable people. We will continue to monitor the impact of these changes.

## **7.0 Implications**

### **Financial, Resources and Procurement**

- 7.1.1 The Council's Medium Term Financial Plan assumes that the current scheme will continue with no savings planned to be met from scheme changes.
- 7.1.2 It is important to note that any additional income raised through reducing the amount of benefit awarded results in an increase in the Council Tax Base. However this Council would only benefit from around 11% of any additional income generated, net of irrecoverable debts, but would need to meet the full costs of any additional staffing resources and the costs of publicising changes and providing what could amount to a debt counselling service.
- 7.1.3 There would be no significant financial advantage to this Council of making changes to the scheme.
- 7.1.4 In theory the County Council and Police and Crime Commissioner should benefit financially from a change which reduced the amount of awards however this change may have wider reaching implication in terms of service demands on these authorities, such as social services or police services.
- 7.1.5 The Council's Local Council Tax Reduction Scheme replicated the previous scheme and ensured the most vulnerable people in the District were protected. This has proved a major factor in the council maintaining its high level of collection. Making the scheme less generous would be likely to result in more debts being written off and with these factors in mind the collection level of 99.0% currently used in the Council Tax Base calculation for this Council would need to be reviewed and reduced.
- 7.1.6 Local Authorities are expected to have an additional policy for providing additional financial assistance in cases of hardship and this policy should be properly managed with working guidelines and an appeals process built into it. This policy places a limited financial burden on the authority as the cost of any reduction would be offset against the Collection Fund.
- 7.1.7 The Default Scheme is no longer supported by Central Government therefore the Council must document the Local Scheme and make it available to the public. This is particularly important for documenting the annual uprating's and a consultant has been employed to maintain the scheme at minimal cost. The full draft scheme proposed for the financial year 2021/22 including the recommended uprating's in this report will be available on the Council's website once information has been received from Central Government.

### **Human Resources**

- 7.2.1 If the recommendation not to amend the current scheme is accepted then there will be no direct Human Resources implications.
- 7.2.2 If the current scheme is amended and the Council is required to collect what in some cases could be relatively small amounts this could impact on Council Tax collection work and additional resources may need to be employed to maintain current collection levels. It is likely that resources would need to be employed to offer advice on debt, deal with complaints and ensure adequate publicity and contact points are available as many recipients may not have recently paid Council Tax.

### **Legal**

- 7.3.1 The Local Government Finance Act 2012 substitutes Section 13A of the Local Government Finance Act 1992 and makes provision for Local Council Tax Reduction Schemes. Schedule 1A (4) requires the Secretary of State to prescribe a Default

Scheme. This is the Council's current scheme subject to the annual uprating changes from 1st April 2014 agreed by Full Council on 17th December 2013 and disregarded income from war disablement and war widows pensions and Armed Forces Compensation Payment Schemes.

- 7.3.2 If any changes are made to the current scheme it is important that these are effectively drafted and a specialist consultant would be appointed to assist the Council. Such changes could be subject to legal challenge.
- 7.3.3 Under Section 9 of the Local Government Finance Act 2012, the Secretary of State shall make provision for an independent review of all council tax reduction schemes made under the provisions of the Act;
- a) to consider their effectiveness, efficiency, fairness and transparency and their impact on the Localism agenda, and
  - b) to make recommendations as to whether such schemes be brought within Universal Credit.

This review called "Three Years On" was conducted by Eric Ollerenshaw was published in March 2016. The review only had three recommendations for councils.

One for councils to consider joint schemes and procurement, the other two recommendations related to councils who had decided not to maintain a scheme offering up to 100% for working age claimants.

#### **Health, Social, Economic and Environmental**

- 7.4 At this point a social, economic and environmental impact assessment has not been carried out. Should any changes to the current scheme be recommended to Full Council then a revised assessment will be undertaken.

#### **Equality and Diversity**

- 7.5.1 An equality and diversity assessment was undertaken for the current scheme but if any changes are recommended then that assessment will be reviewed.
- 7.5.2 If changes are made to the scheme it will be necessary to assess changes to evaluate the impact on people who are vulnerable. The DCLG (from January 2018 rebranded to MHCLG) have defined vulnerable households as those with a carer, children aged less than 5 years or those with a disability. Protections would need to be considered and a scheme with multiple protected groups also results in a scheme that is more complex to administer and for customers to understand.
- 7.5.3 The DCLG (from January 2018 rebranded to MHCLG) issued a report in February 2014 reminding local authorities of their key duties when deciding on Local Council Tax Reduction Schemes:
- Public Sector Equality Duty (The Equality Act 2010)
  - Duty to mitigate the effects of child poverty (The Child Poverty Act 2010)
  - The Armed Forces Covenant
  - Duty to prevent Homelessness (The Housing Act 1996)

## Risk

Risk	Consequence	Controls required
Any changes to the current scheme are not correctly embedded in the scheme rules.	The Council's Local Council Tax Reduction Scheme will not stand up to legal challenges and the scheme will fall into disrepute and legal costs would be incurred.	Seek appropriate advice to draft any changes effectively into the scheme.
Difficulty in accurately predicting the net reductions in awards of the differing options.	Any scheme changes may result in awards differing from those estimated which will impact on the County Council, the Police and Crime Commissioner and this Council.	The forecasting tool within current software should produce accurate figures.
Reductions in awards may cause hardship to some applicants.	Insufficient finances could put some family members at risk.	It would be advisable to create a properly managed hardship fund to protect vulnerable people who can apply for monies from this fund in exceptional circumstances.
Collection of small amounts may not be possible in some cases.	An increase in the amount of debts being written off which may negate the changes made.	Be prepared to employ additional resources to collect the Council Tax due.

### Contact Officers

Vicky McDonald Operational Lead Case Management, 01539 793329,  
[Vicky.Mcdonald@southlakeland.gov.uk](mailto:Vicky.Mcdonald@southlakeland.gov.uk)

## Background Documents Available

Name of Background document	Where it is available
South Lakeland District Councils Council Tax Reduction Scheme	<a href="https://www.southlakeland.gov.uk/media/7132/slDC-council-tax-reduction-scheme-s13a-and-schedule-1a-of-the-local-government-finance-act-1992.pdf">https://www.southlakeland.gov.uk/media/7132/slDC-council-tax-reduction-scheme-s13a-and-schedule-1a-of-the-local-government-finance-act-1992.pdf</a>
Housing Benefit Circular A1/2021 (annual upratings)	<a href="https://www.gov.uk/government/publications/housing-benefit-adjudication-circulars-2021/a12021-housing-benefit-uprating-2021-22-revised">https://www.gov.uk/government/publications/housing-benefit-adjudication-circulars-2021/a12021-housing-benefit-uprating-2021-22-revised</a>
“Three Years On” review by Eric Ollerenshaw March 2016	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/514767/Local_Council_Tax_support_schemes_review_report.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/514767/Local_Council_Tax_support_schemes_review_report.pdf</a>
The Council Tax Reduction Schemes (Prescribed Requirements)(England) (Amendment) Regulations 2021	<a href="https://www.legislation.gov.uk/ukSI/2021/29/introduction/made">https://www.legislation.gov.uk/ukSI/2021/29/introduction/made</a>
MHCLG: Council tax Covid - 19 hardship fund 2020 to 2021 - guidance	<a href="https://www.gov.uk/government/publications/council-tax-covid-19-hardship-fund-2020-to-2021-guidance">https://www.gov.uk/government/publications/council-tax-covid-19-hardship-fund-2020-to-2021-guidance</a>

## Tracking Information

Signed off by	Date sent	Date Signed off
Legal Services	14/01/2021	21/01/2021
Section 151 Officer	14/01/2021	10/02/2021
Monitoring Officer	14/01/2021	10/02/2021
CMT	14/01/2021	15/01/2021

Circulated to	Date sent
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	14/01/2021
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	03/02/2021
Council	23/02/2021