

South Lakeland District Council

Cabinet

Wednesday, 9 February 2022

Review of the Local Council Tax Reduction Scheme 2022

Portfolio: Finance and Resources Portfolio Holder

Report from: Director of Customer and Commercial Services

Report Author: Morag Mackenzie – Senior Benefits Specialist

Wards: (All Wards);

Forward Plan: included in the Forward Plan as published on 21 December 2021

Links to Council Plan Priorities:

A fairer South Lakeland

1.0 Expected Outcome

- 1.1. On 1st 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 2022/23. This is with the exception of applying the annual upratings and other minor income and capital disregards.
- 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 one of the Council's four key objectives, A Fairer South Lakeland, by helping to tackle poverty and inequality.

2.0 Recommendation

2.1 That Cabinet recommend to full Council that it:-

- (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 1st April 2022, 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 A11/2021 regarding annual upratings issued in December 2021 by the Department of Work and Pensions; and**
 - (c) publish the updated scheme in accordance with the Local Government Finance Act 2012; and**
- (2) that any work on a further review of the Scheme is carried out as part of the Local Government Reorganisation work streams for the new Westmorland and Furness Council.**

3.0 Background and Proposals

- 3.1 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 25th February 2020 (Minute C/69) Full Council resolved to maintain the existing scheme for 2020/21.
- 3.7 On 13th January 2022 the Government laid before Parliament The Council Tax Reduction Schemes (Prescribed Requirements) (England)(Amendment) Regulations 2022 which comes into force on 11th February 2022.
- 3.8 The Regulations make amendments to include
- a) Amendment to regulation 2 to include the DACYP regulations which means the Disability Assistance for Children and Young people (Scotland) Regulations 2021
 - b) Amendment to regulation 12 to include the Afghan Relocations and Assistance Policy or the previous scheme for locally employed staff in Afghanistan
 - c) Updated annual upratings of applicable amounts and non-dependant deductions, the Council Tax Reduction Scheme will be updated to reflect these requirements
- 3.9 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 applies to all Housing Benefit cases with effect made on or after 1st 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. It is anticipated that a full review will be required for the 2023/24 scheme as part of the Local Government reorganisation.

- 3.10 In the current financial year 2021/22 awards under the Local Council Tax Reduction Scheme were a total of £5,836,609 a reduction of £204,737 from 2020/21 (£5,129,675 in 2019/20). There has been a steadying of the financial awards and caseload following the significant increase in 2020/21, deriving from the economic impact of COVID 19 pandemic.

- 3.11 The table below gives a breakdown of the caseload and awards in respect of each group at the end of December 2021 (March 2014 figures in brackets). With Working Age cases being 57% of the total caseload, any changes made to the current scheme would only affect this group and could be considered when a full review is undertaken, which would trigger the legal requirement to undertake a formal consultation process to amend the council's scheme.

Group	Number of claimant	Amount of reduction awarded
Pension Age	2,022 (3,146)	£2,477,185 (£3,071,000)
Working Age	2,669 (2,684)	£3,359,424 (£2,293,000)
TOTAL	4,691 (5,830)	£5,836,609 (£5,364,000)

- 3.12 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 2022 keeps South Lakelands position as one of only 36 councils (April 2018) offering a fully funded Council Tax Reduction scheme for working age claimants.

4.0 Appendices Attached to this Report

Appendix No.	Name of Appendix
	South Lakeland District Councils Council Tax Reduction Scheme

5.0 Consultation

- 5.1 Overview and Scrutiny Committee reviewed the current scheme at a meeting on 15th 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:
- 5.2 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.
- 5.3 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 1st April 2022.
- 5.4 Should any significant changes be made to the current scheme then a public consultation exercise would have to be undertaken.

6.0 Alternative Options

- 6.1. 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. If the Council were to reduce the amount of support for this group, they would also need to consider how viable the collection of the contributions would be. 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.
- 6.2. 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.
- 6.3. It is likely that a review of South Lakeland's Council Tax Reduction Scheme will not be undertaken in 2022. It is expected that in light of the Local Government Reorganisation a full review will be required for Westmorland and Furness Council.

7.0 Implications

Financial, Resources and Procurement

- 7.1 The Council's Medium Term Financial Plan assumes that the current scheme will continue with no savings planned to be met from scheme changes.
- 7.2 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 12% 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.
- 7.3 There would be no significant financial advantage to this Council of making changes to the scheme.
- 7.4 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.
- 6.5 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.
- 7.6 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.

7.7 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. A consultant has been employed to maintain the scheme at minimal cost, as in previous years. The full draft scheme proposed for 2022/23 including the recommended uprating's in this report will be available on the Council's website in due course.

7.1 Human Resources

7.1.1 If the recommendation not to amend the current scheme is accepted then there will be no direct Human Resources implications.

7.1.2 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 additional 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

7.2.1 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.

7.2.2 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.

7.2.3 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 was 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 and Sustainability Impact Assessment

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

Equality and Diversity

7.4. An equality and diversity assessment was undertaken for the current scheme but if any changes are recommended then that assessment will be reviewed.

7.4.1 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.

7.4.2 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 Management	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

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Background Documents Available

Name of Background document	Where it is available
Housing Benefit Circular A11/2021 (annual upratings)	A11/2021: Housing Benefit uprating for the financial year ending March 2023 - GOV.UK (www.gov.uk)
The Council Tax Reduction Schemes (Prescribed Requirements)(England) (Amendment) Regulations 2022	https://www.legislation.gov.uk/uksi/2022/25/contents/made

Tracking Information

Signed off by	Date sent	Date Signed off
Section 151 Officer	7.1.22	24.01.2022
Monitoring Officer	7.1.22	31.01.2022
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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	10/01/2022
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	10/02/2022
Council	22/02/2022