



<b>Report To:</b>	Executive Board
<b>Date:</b>	18 September 2024
<b>Subject:</b>	Local Council Tax Support Scheme (Consultation) 2025/26
<b>Purpose:</b>	To agree consultation options for the local Council Tax Support scheme, 2025/26
<b>Key Decision:</b>	No
<b>Portfolio Holder:</b>	Councillor Thomas Kemp, Portfolio Holder for Finance
<b>Report Of:</b>	Christine Marshall, Deputy Chief Executive, Corporate Development and S151
<b>Report Author:</b>	Sharon Hammond, Head of Revenues and Benefits
<b>Ward(s) Affected:</b>	All
<b>Exempt Report:</b>	No

### **Summary**

Council Tax Support provides financial assistance through a reduction in Council Tax bills for households on a low income or receiving certain benefits.

The Council is required to review its local Council Tax Support scheme each year and consult on its scheme proposals for the forthcoming year. Pension age residents are regulated by national rules in England and are not affected by any changes in this review.

This report provides an update on the current scheme and presents scheme modification options for the East Lindsey District Council working age Council Tax Support scheme to take forward to consultation with major preceptors and the public, with a view to helping the council decide its local scheme for 2025/26.

### **Recommendations**

That Executive Board

- i. Considers the modification options presented in sections 5 of this report, and
- ii. Confirms the option(s) it wishes to consult on, and

- iii. Approves consultation, and delegates oversight of the consultation approach to the Section 151 Officer in conjunction with the Portfolio Holder for Finance.

### **Reasons for Recommendations**

This will enable a period of consultation with major preceptors and the general public on Executive Board's preferred scheme option(s) for its 2025/26 Council Tax Support Scheme.

Following a consultation period, a report, including the consultation feedback, will come back to Executive Board to make its final recommendation to Full Council in respect of the scheme for 2025/26.

### **Other Options Considered**

*Do nothing – This option is discounted as Executive Board has previously indicated its intention to carry out a more fundamental review of its scheme for 2025/26.*

*Replace the default, means tested scheme with an income banded scheme – this alternative approach has been discounted as part of the fundamental review process.*

## **1. Background**

- 1.1 This report updates Executive Board on the performance of the current Council Tax Support (CTS) scheme and provides details of the fundamental review in respect of 2025/26.
- 1.2 East Lindsey's scheme currently provides for a maximum 75% support. Some scheme changes were made in 2016/17, including restriction to Band D Council Tax liability. In 2019/20 a new class for Care Leavers was introduced, and in 2020/21 an earnings tolerance of £15 per week (£65 per month) was introduced for Universal Credit claimants. Since 2022/23 the scheme continues to provide for local discretion to disregard national schemes introduced during a financial year in the calculation of support.
- 1.3 Executive Board previously recognised the need for fundamental review of the scheme, with the current scheme now dated, being relatively unchanged since its introduction in 2013, and, having regard to the rollout of Universal Credit which replaces legacy benefits (including Housing Benefit).
- 1.4 This report provides information on the scheme review, and the options for 2025/26.
- 1.5 Regulations continue to prescribe the rules for calculating entitlement for pension age Council Tax Support schemes.

## 2. 2024/25 Current Scheme Expenditure and Caseload

2.1 The total caseload and expenditure, at July 2024, is:

2024/25	Number of live claims	Amount of CTS
Working Age	6,381	£5,117,843.89
Pensioner	5,561	£6,308,869.05
<b>Total</b>	<b>11,942</b>	<b>£11,426,712.94</b>

2.2 A caseload comparison of data from 2023 shows a small overall reduction of 91 live claims, being a reduction of 123 in pensioner group and an increase of 32 Working Age group.

2.3 The cost of Council Tax Support is shared across major preceptors as part of the collection fund accounting process:

Current Council Tax Support 2024/25	ELDC	LCC	PCC
£11,426,712.94	£928,809.31	£8,801,860.69	£1,696,042.94
	8.13%	77.03%	14.84%

2.4 Whilst this report focuses on the scheme for working age claimants, it is also timely to update Executive Board on the Ministry for Housing, Communities and Local Government (MHCLG) intentions for a national Pension Credit promotion campaign and awareness raising. MHCLG report that nationally 880,000 households are missing out on financial support worth on average £3,900 per year, and that entitlement to Pension Credit will lead to other additional benefits, including winter fuel payments, reductions in electricity bills, free TV licence for over 75, help with housing costs through Housing Benefit, and eligibility for Council Tax Support. MHCLG has indicated it considers local authorities are best placed to support the preparatory work and more details will be forthcoming.

It would be reasonable to assume an increase in CTS pension caseload and expenditure as a result of increased Pension Credit take-up.

## 3. Fundamental Review

3.1 Following Executive Board's decision for a fundamental review of the scheme to be carried out in 2024, Visionary Network Ltd (and its partners Inbest Ltd and Ascendant Solutions Ltd) were appointed in March 2024 to support S&ELCP with a CTS scheme review for each council, to carry out option modelling and provide evaluation of the financial impact of potential changes to each council's scheme.

3.2 The fundamental review is timely recognising that the current scheme is now dated, being relatively unchanged since its introduction in 2013. Over time, its original alignment with Housing Benefit has moved further away as a result of welfare reform and the roll out of Universal Credit, and, having regard to the Department for Work and Pensions (DWP) latest 'Move to Universal Credit' program currently underway, we are likely to see more residents drawn into CTS. The objectives of the review

included scheme modernisation and simplification for the customer and for operational administration.

- 3.3 The review considered the different scheme types and their prevalence in local authorities, demonstrating that whilst almost a third are now income banded schemes, two-thirds presently remain as default (means-tested) schemes, like ELDC's current scheme. The review did not identify compelling reason to move to an income banded scheme at this time, and therefore modelling of modification options for the 2025/26 scheme are based on the default scheme approach.
- 3.4 The data analysis and scheme option modelling carried out by Visionary Network and its partners is based on a snapshot of caseload data from May 2024. It should be recognised that caseload will fluctuate continuously as new claims and changes are constantly being processed. Any inconsistencies arising through the data analysis are being explored and the figures provided should be recognised as indicative.
- 3.5 The data analysis and modelling is based on assessing the impact of changes on current caseload. Whilst it can't predict future entitlements, it provides insight to the potential effect on existing recipients. The scheme modelling does not include any provisions for 2025/26 increases in Council Tax or for DWP up-ratings, or for any increase in CTS that may arise through additional take-up or increased entitlement, generated by the economy or by the governments Move to Universal Credit and Pension Credit take-up programmes.
- 3.6 The need for administrative efficiency and increased automation has been a further consideration for the future scheme, in particular recognising the significant increase in the volumes of Universal Credit related records. Schemes must be compatible with current software, as any significant modifications may require additional software features outside of current agreements, incurring additional costs.
- 3.7 Council Tax Support schemes must be affordable, and in reaching decisions there must be consideration to how the scheme will be funded. CTS schemes cannot be changed mid-year.
- 3.8 The final scheme will benefit from simplified rules, developed by Visionary Network Ltd, in plain English. In turn this will made schemes easier to understand, both for customers to access and understand the scheme, and for staff who administer it.

#### **4. Caseload Analysis**

- 4.1 A high volume of complex data has been analysed by Inbest Ltd (partner of Visionary Network Ltd). For the purpose of analysis all records have been anonymised to prevent identification.
- 4.2 Table 1, shows the make-up and distribution of CTS across Working Age household types, using data from May 2024. The data shows over 80% of the WA caseload receive the current scheme maximum, 75%, support.

**Table 1**

Household Type	Working Age Caseload	Of which on Max 75% CTS	Current Expenditure
Single	2958	2531	£2,370,526
Single with Child(ren)	1674	1226	£1,261,306
Couple	925	766	£978,988
Couple with Child(ren)	769	556	£758,555
	<b>6326</b>	<b>5079</b>	<b>£5,369,375</b>
		80.29%	

- 4.3 An analysis of the correlation between households currently receiving Council Tax Support and the level of Council Tax arrears in financial 2023/24 is shown in Table 2.

**Table 2**

Household Type	Working Age Caseload	With 2023/24 arrears	Amount of 2023/24 arrears
Single	2958	701	£218,471
Single with Child(ren)	1674	601	£205,802
Couple	925	126	£41,880
Couple with Child(ren)	769	240	£94,961
	<b>6326</b>	<b>1668</b>	<b>£561,114</b>
		26.37%	

- 4.4 Table 2 does not include households currently on CTS with arrears in earlier years, nor does it include arrears for households that received CTS at some point previously but are not currently in receipt of CTS. The actual overall position of arrears in relation to CTS households will therefore be greater than indicated.
- 4.5 The data shows that almost 54% of the amount of arrears in CTS recipient households is in households with children.

## 5. Establishing a Council Tax Support scheme for 2024/25

- 5.1 For each financial year, the billing authority must consider whether to revise its scheme or replace it with another scheme. Council Tax Support schemes cannot be changed mid-year.
- 5.2 The Local Government Finance Act requires that before a scheme can be adopted by the billing authority, it must: -
- Consult any major precepting authority which has power to issue a precept to it,
  - Publish a draft scheme in such manner as it thinks fit, and
  - Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

## 6. 2025/26 Scheme Modification Option Proposals for Consultation

- 6.1 The following modification options have been developed for Executive Board consideration in line with the preferences expressed by Members through review

meetings. This will retain the default (means tested) scheme approach, which uses premiums and allowances (as uprated by DWP) as a measure of claimant financial need based on household composition, age and if anyone in the household has a disability.

6.2 All options will continue to protect War Pensioners and Care Leavers.

6.3 The options will provide for an incremental approach to modifying the current scheme, allowing for review after the first full year of scheme performance (i.e. 2025/26 scheme performance reviewed in 2026/27) and to consider if any further modifications are needed.

**A. Increase the maximum CTS for households with children from 75% to 85%.**

According to recently published DWP estimates, 30% of children in East Lindsey live in relative low-income households. This change would increase level of support for households with children, demonstrating the council’s commitment to respond positively to the concerns over child poverty.

There are currently 2,443 households with children in receipt of CTS, of which 1,782 receive the current maximum 75% CTS award.

**B. Remove the earnings disregard for Universal Credit claims.**

The current scheme requires a manual process to apply a disregard to CTS calculations, based on the level of earnings.

The DWP will have had regard to earnings and disregards in its calculation of the claimants UC award and therefore this change will see the full amount of the UC award included in the CTS calculation.

This will make the scheme fairer and will improve administrative efficiency in the processing of high volumes of Universal Credit records each month.

**Impact**

The indicative net impact on the cost of the scheme for modification options:

A. increase in CTS to 85% for households with children, and

B. removal of the earnings disregards,

is an increase of £196,544.

The cost of this increase would be shared between the major precepting authorities in the following proportions (based on 2024/25 % split): -

Increase	ELDC	LCC	PCC
£196,543.88	£15,979.02	£151,397.75	£29,167.11
	8.13%	77.03%	14.84%

**C. Introduce a standard £10 rate for non-dependant deductions.**

Deductions in the current scheme are based on a DWP scale of deductions (currently ranging from £4.10 to £15.10) dependent upon the non-dependants' earnings and circumstances.

This change would remove the scale of deductions and apply a standard £10 weekly deduction for each non-dependent.

Exceptions would continue to apply for households meeting certain criteria, including where claimant or partner is receiving Personal Independence Payment, Disability Living Allowance or Attendance Allowance, or where the non-dependent is over 18 on certain benefits.

This change will remove the need to obtain evidence from non-dependants, in turn simplifying the claim process for the customer, and allowing improved administration efficiency.

### **Impact**

The data analysis indicates that changes exceeding £1 per week, would negatively impact 166 claimants, and positively impact 29.

The indicative cumulative net impact on the cost of the scheme for modification options:

- A. increase in CTS to 85% for households with children, and
  - B. removal of the earnings disregards, and
  - C. introduction of a standard £10 rate of non-dependant deduction
- is an increase of £67,062.

Through the combination of these 3 modifications, 72 claimants would lose entitlement.

The cost of this cumulative net increase would be shared between the major precepting authorities in the following proportions (based on 2024/25 % split): -

Increase	ELDC	LCC	PCC
£67,062.32	£5,452.17	£51,658.11	£9,952.05
	8.13%	77.03%	14.84%

### **D. Introduce a minimum weekly award of £1.00 per week.**

Under the current scheme CTS will be awarded and Council Tax bills updated and issued even where the CTS amount is a few pence per week.

The introduction of a minimum award of £1 per week would reduce the number of bills arising from small changes.

Cumulative data modelling on the first 3 modification options, A-C, above, indicates 29 people will be affected by this change, losing a total of £832 CTS support (average loss £28.69 per year per household).

**E. Increase the threshold for earnings changes for Universal Credit cases, from £15 per week (£65 per month) to £30 per week (£130 per month), with discretion.**

The original thresholds have been in place since April 2020. At that time the national living wage was £8.72 per hour; it is now £11.44 per hour, a 31% increase. The Real Living Wage is now £12 per hour. This means that presently if someone works just over 1 hour extra a week they could lose some of their CTS.

This change will result in losers as well as gainers, as households who earn less would no longer automatically get more CTS. This issue would be dealt with through the provision for discretion, enabling CTS claims to be updated on a case-by-case basis, through customer request or as part of operational controls.

This change would reduce the number of changes applied to CTS, and in turn reduce the frequency of rebilling and re-profiling of instalments providing households with more certainty for budgeting, and reducing the costs associated with the re-issue of additional bills.

As this change would apply to future decisions it cannot be costed other than to recognise the current level of support will remain unchanged in more cases.

**F. Introduce a Discretionary Exceptional Hardship Payment fund**

Recognising that within any scheme there may be hardship, the council may wish to put aside a specific budget for payments, with focus on those hard cases that need additional help. This approach would include signposting to other sources of help and to support customers with income maximisation opportunity.

As a discretionary scheme, the full cost of such payments will fall on East Lindsey District Council.

**G. Update the 2025/26 scheme in line with DWP uprating.**

This would be consistent with previous years, aligning the scheme with the DWP's annual update of allowances and premiums for 2025/26.

- 6.3 Executive Board are asked to consider which of the option(s) A – G above they wish to consult on. The results from consultation will be reported back to Executive Board later in the year for its final scheme recommendation to Full Council, with the final decision for 2025/26 decided by 11<sup>th</sup> March 2025.

**7. Conclusion**

- 7.1. The fundamental review has provided East Lindsey with the opportunity to look at its current scheme and consider how it wishes to support residents in the future, having regard to affordability. Engagement through the review has provided Members with information on scheme approaches and modifications, and the options proposed from the steer provided will enable consultation on proposals that provide a balance of recognising the need for increasing support for families, and the need for administrative simplification.



7.2. The options decided by Executive Board will require consultation with major preceptors, the general public and other interested stakeholders, with results helping to inform the council on its final scheme decision for 2025/26.

## **Implications**

### **South and East Lincolnshire Councils Partnership**

None

### **Corporate Priorities**

None

### **Staffing**

None

### **Workforce Capacity Implications**

None

### **Constitutional and Legal Implications**

None

### **Data Protection**

None

### **Financial**

There are no financial implications as a direct result of this report which is seeking approval to consult on options. Following consultation, a further report will be brought back to Executive Board for a final scheme decision.

### **Risk Management**

None

### **Stakeholder / Consultation / Timescales**

Consultation with major preceptors and other interested parties will be carried out based on Executive Board's decision on the proposals set out in the report.

### **Reputation**

*None*

## **Contracts**

None

## **Crime and Disorder**

None

## **Equality and Diversity / Human Rights / Safeguarding**

The existing Council Tax Support scheme continues to be delivered on the basis of the DWP's previous means tested Council Tax Benefit scheme regarding protection for vulnerable groups, including children and the disabled. The options for consultation do not change this approach.

## **Health and Wellbeing**

None

## **Climate Change and Environmental Implications**

None

## **Acronyms**

CTS – Council Tax Support

DWP – Department for Work and Pensions

MHCLG – Ministry for Housing, Communities and Local Government

## **Appendices**

None

## **Background Papers**

None

## **Chronological History of this Report**

A report on this item has not been previously considered by a Council body.

## **Report Approval**

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