

# Westmorland and Furness Council

<b>Report Title:</b>	Local Council Tax Reduction Scheme 2024/25 and War Pension Disregard
<b>Meeting:</b>	Council
<b>Date of Meeting:</b>	23 November 2023
<b>Report Author:</b>	Pam Duke, Director of Resources & S151 Officer
<b>Lead Cabinet Member(s):</b>	Cllr Andrew Jarvis, Cabinet Member for Finance
<b>Wards Affected?</b>	All Wards
<b>PUBLIC, PART EXEMPT OR FULLY EXEMPT</b>	N/A
<b>List of Appendices (if any)</b>	Local Council Tax Reduction Scheme 2023/24

## 1. Executive Summary

- 1.1 The national Council Tax Benefit Scheme was abolished and replaced with a locally determined scheme known as the Local Council Tax Reduction Scheme on the 1<sup>st</sup> April 2013. The Local Government Finance Act 2012 (as amended) requires billing authorities to review their Local Council Tax Reduction Scheme and to either maintain the scheme or replace it, on an annual basis by the 11<sup>th</sup> March for the following financial year.
- 1.2 This report seeks Council approval to continue the current Local Council Tax Reduction Scheme attached at Appendix 1 for 2023/24 including the annual uprating and other minor income and capital disregards as determined by the Department for Works and Pensions for Housing Benefit purposes. The report also seeks Council approval to top-up the Discretionary Housing Fund.
- 1.3 Finally, the report seeks Council approval to continue to apply the 100% voluntary disregard under the scheme of War Disablement Pensions, War Widows Pensions and War Widowers' Pensions under Section 134 (8) and 139 (6) of the Social Security Administration Act; in the determination of both Housing Benefit and Council Tax Support. The Council also includes Armed Forces Compensation as a voluntary disregard. This is referred to as the Local Scheme.
- 1.4 The recommendations in this report were approved for consideration by Council, at the Cabinet meeting held on the 14 November 2023.

## 2. Recommendations

For the reasons set out in this report, it is recommended that Council:

- 2.1 Approve the adoption of the current Local Council Tax Reduction Scheme for the financial year commencing 1 April 2024 in accordance with Schedule 1A (5)

of the Local Government Finance Act 1992, including the annual uprating and other minor income and capital disregards as determined by the Department for Works and Pensions for Housing Benefit purposes.

- 2.2 Agree the top-up of the Discretionary Housing Fund to the maximum permitted by the Department for Works and Pensions, for 2024/25 and future years.
- 2.3 Agree the 100% voluntary disregard under the scheme of War Disablement Pensions, War Widows Pensions and War Widowers' Pensions under Section 134 (8) and 139 (6) of the Social Security Administration Act, and Armed Forces Compensation, in the determination of both Housing Benefit and Council Tax Support for the financial year commencing 1 April 2024 and until the resolution is revoked or modified.
- 2.4 Delegate to the Director of Resources, in consultation with the Finance Portfolio Holder the authority to:
  - i. Make all necessary updates to the Local Council Tax Reduction Scheme to comply with any statutory requirements that may be issued by central government.
  - ii. Make all necessary amendments to the Local Council Tax Reduction Scheme to uprate the incomes, personal allowances, and premiums in accordance with the Housing Benefit annual uprating circulars.
  - iii. Publish the updated Local Council Tax Reduction Scheme in accordance with the Local Government Finance Act 2012 (as amended).

### **3. Information: the Rationale & Evidence for the Recommendations**

- 3.1 The recommendations set out in this report were presented to Cabinet at the meeting held on the 14 November 2023. The recommendations were approved for consideration by Council in accordance with the requirements of the Local Government Finance Act 2012 and Social Security Administration Act.
- 3.2 On 1 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 ("the Scheme"). The aim of the Scheme is to provide support to residents of Working Age who have a low income, to assist them in paying Council Tax.
- 3.3 As part of the introduction, the Government:
  - Placed the duty to create a local scheme for **Working Age** applicants with billing authorities;
  - Reduced initial funding by the equivalent of ten per cent from the levels paid through subsidy from the Department for Works and Pensions ("DWP") to authorities under the previous Council Tax Benefit scheme; and
  - Prescribed that persons of **Pension Age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.

- 3.4 Since that time, funding for the scheme has been amalgamated into other Central Government grants paid to Local Authorities and into the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Government sources.
- 3.5 Persons of Pension Age, subject to their income, can receive up to 100% support towards their Council Tax. No authority has power to change the level of support provided to pensioners although the scheme has been enhanced by allowing the full disregard of war pensions and war disablement pensions (the Local Scheme) to support the Council's commitment to the Armed Forces Covenant.
- 3.6 The table below gives a breakdown of the caseload and awards in respect of each group at the end of August 2023. 54% of the current total caseload is made up by Working Age cases. Any changes made to the current scheme would only affect this group and would trigger the legal requirement to undertake a formal consultation process to amend the Council's scheme.

<b>Group</b>	<b>Number of claims</b>	<b>Estimated cost of reduction awarded in 2023/24</b>
Pension Age	5,917	£6,012,412.95
Working Age	7,391	£9,891,171.37
<b>Total</b>	<b>12,708</b>	<b>£15,903,584.32</b>

- 3.7 On 23 January 2023, following a consultation, the Westmorland and Furness Shadow Council resolved a new, single Council Tax Reduction Scheme for 2023/24 in accordance with Schedule 1A (3) of the Local Government Finance Act 1992.
- 3.8 The approved Scheme provides up to 100% support to Working Age applicants, depending on their level of income and make up of their household.
- 3.9 The Scheme continues to provide residents, both of Working Age and of Pension Age, on the lowest incomes, the maximum amount of support with their Council Tax. Continuing the current scheme from 1 April 2024 would maintain the position as one of only a small number of Councils continuing to offer a fully funded Local Council Tax Reduction Scheme for Working Age claimants.
- 3.10 At a time when residents are dealing with multiple financial pressures in the cost of living, a Scheme which potentially reduces entitlement could have severe adverse impacts. Linked to the cost of living pressures it is proposed that the Discretionary Housing Fund from the DWP is topped-up, to provide further support to those most in need.
- 3.11 The Discretionary Housing Fund is awarded annually from the DWP, and local authorities are permitted to top-up the fund to a maximum of 250% of the allocation. To illustrate, the award for 2023/24 the allocation is £292,634; the Council can add £438,951; therefore, the total pot becomes £731,585.
- 3.12 This Fund provides Discretionary Housing Payments to support housing costs for those experiencing financial hardship and contributes to the prevention of homelessness.

3.13 Housing Benefit and Council Tax Support assessments are determined in accordance with the Modified Scheme provisions, under which a 100% voluntary disregard is applicable of War Disablement Pensions, War Widows Pensions and War Widowers' Pensions, under Section 134(8) and 139(6) of the Social Security Administration Act 1992. The Council also includes Armed Forces Compensation as a voluntary disregard. It is proposed that this principle be maintained for 2024/25 and future years, within the Local Council Tax Reduction Scheme, and for the assessment of Housing Benefit entitlement which supports the Council's commitment to the Armed Forces Covenant. This is referred to as the War Pension Local Scheme, or Local Scheme.

3.14 The Council has an existing policy that supports Care Leavers up to the age of 25 years by granting up to 100% discount on their Council Tax. This provides practical help and financial assistance to Care Leavers whilst they are developing independent lives and their life skills.

#### **4. Link to Council Plan Priorities: (People, Climate, Communities, Economy and Culture, Customers, Workforce)**

4.1 Retaining the Local Council Tax Reduction Scheme at 100% maximum support, and as it currently exists, is intrinsically linked to the Council's priorities by supporting people in need and reducing inequality. The aim of the Council Plan is to ensure that Westmorland and Furness is a great place to live, work and thrive, where there is support for those that need it, to help residents have healthy, happy lives. A means-tested Local Council Tax Reduction Scheme awarded at up to 100% of a claimant's Council Tax liability ensures that residents have some financial certainty about one of their household bills during an uncertain time with the cost of living.

#### **5. Consultation Outcomes**

5.1 There are no significant changes to the 2023/24 Local Council Tax Reduction Scheme to consult upon. The recommendation is to continue with the 2023/24 scheme; consultation for the 2023/24 scheme was completed in November 2022 and reported and agreed in January 2023 by the Shadow Cabinet meeting and the Shadow Council meeting.

#### **6. Alternative Options Considered**

6.1 The Council is under no legal obligation to offer a Local Council Tax Reduction Scheme for Working Age residents. Therefore, in theory it could reduce the amount of support offered this group from 100% to any figure it chose including having a full charge irrespective of income. Most Councils reduce the amount of Council Tax Reduction for Working Age claimants by between 10% and 30%. For Westmorland and Furness Council, 10% for a Band A property to pay is equivalent to £150, and 10% for a Band D property is equivalent to £220.

6.2 There are a number of scheme designs that could be adopted from 1 April 2024 including more radical approaches which are being implemented by other authorities. Some Councils have moved, or are considering moving, to Local Council Tax Reduction Schemes that apply a reduction to the Council Tax based on set income bands, for example. Others have already chosen to

reduce the maximum award by up to 20% but have found collection of the resulting Council Tax liabilities difficult.

- 6.3 Whilst alternative options may remove or reduce some of the administrative burden of the Local Council Tax Reduction Scheme, a detailed analysis would need to be undertaken to assess the impacts of any proposed changes to ensure that claimants were not adversely affected, along with a full consultation. A scheme that is calculated on a new basis entirely would require the thorough testing of software on the different legacy software systems currently in use to ensure that these are consistent. This could not realistically be achieved in time for agreement of the new Local Council Tax Reduction Scheme by 11 March 2024. It is therefore recommended that any further review should be undertaken at a point in the future when the teams are all operating the same software system.
- 6.4 The full roll out of Universal Credit is not yet completed within Westmorland and Furness and this adds further uncertainty when assessing the likely changes to the Local Council Tax Reduction Scheme. The DWP have indicated that within Westmorland and Furness, from September 2023, households claiming tax credits only will migrate onto Universal Credit, which should be complete by then end of the 2023/24 financial year. Throughout 2024/25, the DWP intend to migrate all cases on Tax Credits, Income Support, Jobseeker's Allowance and Housing Benefit to Universal Credit, applying a transitional protection where appropriate. It will be 2026/27 when the impacts of the roll out can be fully analysed.
- 6.5 Any change to the scheme would be expected to increase the number of requests for decisions to be reviewed, complaints and appeals, all of which require increased amounts of officer time to deal with.

## **7. Financial Implications and risk**

- 7.1 The financial implications and risks are reflected in the body of the report. The expected cost to the Council of the Scheme takes the form of a reduction in the Council Tax Base. The continuation of the 2023/24 Scheme is assumed in the Medium Term Financial Plan. Strategic planning will refresh the underlying data and assumptions for 2024/25 and future years including the ongoing top-up of the Discretionary Housing Payment pot which is funded from realising the benefit of the harmonised Local Council Tax Reduction Scheme implemented from the 1 April 2023.
- 7.2 Changes to the 2023/24 Scheme require consultation which may delay implementation beyond 1 April, system changes would be required, and a transitional period would be expected, which would effectively delay any financial benefits being realised.
- 7.3 In maintaining a Scheme that offers up to 100% Council Tax Reduction, there is an underlying cost to Westmorland and Furness Council. As noted in the report, the former Council Tax Benefit regime was fully funded by the DWP. The Scheme began with a 10% funding reduction and it is not possible to identify the current funding only perhaps to imply that from the percentage reductions in Revenue Support Grant and Business Rate Retention.

## **8. Legal and Governance Implications**

- 8.1 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 (3) outlines the preparation, including the consultation requirements, an authority is obliged to make each year. 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 1 April 2024 that was originally agreed by Shadow Council on 23 January 2023 and disregarded income from war disablement and war widows pensions and Armed Forces Compensation Payment Schemes.
- 8.2 Schedule 1A (5) provides the relevant date of 11 March in each year for agreement of any revisions of a Local Council Tax Reduction Scheme for the upcoming financial year.
- 8.3 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.
- 8.4 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.

## **9. Human Resources Implications**

- 9.1 If the proposals to retain the current Local Council Tax Reduction Scheme are approved, there are no human resources implications anticipated.
- 9.2 If the Local Council Tax Reduction 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.'

## **10. Equality and Diversity Implications (including the public sector equality duty, Armed Forces Families, Care Leavers and Health inequalities implications)**

- 10.1 An Equality Impact Assessment was completed in November 2022 for the current 2023/24 Scheme, and this is unchanged as the recommendation is to continue with the current Scheme.

10.2 In summary the Equality Impact Assessment indicated that the current scheme had either a neutral or positive effect to the majority of Working Age claimants and all Pension Age applicants are unaffected.

10.3 The Local Scheme positively impacts Armed Forces families.

10.4 The existing Cumbria Care Leavers Policy positively impacts Care Leavers.

## **11. Background Documents**

11.1 [Agenda for Shadow Authority Cabinet on Friday, 13th January, 2023, 10.00 am | Westmorland and Furness Council \(moderngov.co.uk\)](#)

11.2 [Three Years On: \(publishing.service.gov.uk\)](#)

11.3 [The Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) Regulations 2012 \(legislation.gov.uk\)](#)

11.4 [Council plan | Westmorland and Furness Council](#)

11.5 [Local Government Finance Act 1992 \(legislation.gov.uk\)](#)