

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

meeting date: 14 SEPTEMBER 2021
title: LOCAL COUNCIL TAX SUPPORT SCHEME
submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

- 1.1 To provide committee with the background to our Local Council Tax Support (LCTS) scheme.
- 1.2 To consider next steps with regard to potential changes to our scheme in time for the 2022/23 financial year.

2 BACKGROUND

- 2.1 Local Council Tax Support (LCTS) replaced Council Tax Benefit in 2013/14. Council Tax Benefit was fully funded by the Government – the Council received 100% subsidy to compensate us for paying out Council Tax Benefit.
- 2.2 LCTS however is not paid as a benefit but instead is a discount on an individual's council tax bill. The Government replaced the subsidy with a grant payable to councils for the cost of LCTS. Crucially they reduced the amount from 100% to 90% and Councils were faced with either absorbing this reduction in funding on their general fund or meeting this from either reductions in council tax support or elsewhere within the council tax system. Importantly after the first year this "grant" was rolled-in to grant settlements and funding was reduced significantly.
- 2.3 For Ribble Valley (just prior to the start of the scheme) we paid out Council Tax Benefit of £2.278m. The Government grant was set at 90% leaving a shortfall of around £228,000. It is important to note this represents the amount to be borne overall by all preceptors - Ribble Valley's share of this being around 9% at the time.
- 2.4 Councils were required to design their own LCTS scheme and had to consult with their residents (not just claimants) and also the major preceptors regarding their proposals. At the start of the scheme we proposed to use £120k of council tax income raised on second homes (by reducing the discount on second homes from 50% to 10%) to partially offset this shortfall and proposed the balance would be met by reducing an individual's LCTS by applying a 12% reduction to working age claimants.
- 2.5 We used an external consultancy service shared with other local authorities to carry out the consultation.
- 2.6 We were about to propose a 12% reduction to members when late in the day the Government offered a one off transition grant if councils capped their reduction at 8.5%. We took up this offer and for the first year (2013/14) our reduction was 8.5% and thereafter raised to 12%. Pensioners were protected from any reduction in support.
- 2.7 The following are useful documents which provide detailed information:
 - The original report when the Council agreed our scheme back in 2012

[201112 Localisation of Council Tax Support \(ribblevalley.gov.uk\)](https://www.ribblevalley.gov.uk/201112-Localisation-of-Council-Tax-Support)

- A link to a House of Commons Briefing paper produced in August 2020 which is very informative [link to briefing paper](#)

3 ISSUES

- 3.1 Across Lancashire you will see there are varying levels of reductions. Lancaster and recently Chorley being the only councils in Lancashire not to reduce the level of support at all. Most are around 20%. In the current financial year 2021/22, Ribble Valley has the 5th lowest % reduction with Lancaster, Chorley, South Ribble (for those not in work) and Wyre with lower % reductions.

Lancashire Council	LCTS Reduction 2021/22
Blackburn	20%
Blackpool	27.11% but protected groups 13.56%
Burnley	15%
Chorley	0%
Fylde	22.7%
Hyndburn	30%
Lancaster	0%
Pendle	20%
Preston	20%
Ribble Valley	12%
Rossendale	20%
South Ribble	£3.50 per week (equivalent to approximately 20%) in work and 0% non-working
West Lancs	22%
Wyre	8.5%

- 3.2 We used to have to review and propose our scheme for the forthcoming year to Full Council by the end of January each year, however following a review in 2016 this has changed to March 11 each year. This is now aligned to the deadline for setting our Budget and Council Tax.

COVID – Local Council Tax Hardship Fund

- 3.3 Due to the Covid-19 pandemic the Government introduced further support for recipients of working age local Council Tax Support during the financial year 2020/21 by way of a further reduction in their annual Council Tax bill of upto £150. Ribble Valley was awarded £222k. We gave grants to 1,849 recipients totalling slightly more than the Government's allocation by the end of 2021/22.
- 3.4 Exceptions to the £150 relief being where a taxpayer's liability for 2020/21 is, following the application of Council Tax Support, less than £150, then their liability was reduced to nil. Where a taxpayer's liability for 2020/21 is nil, obviously no further reduction to the Council Tax bill was available.
- 3.5 For 2021/22 the Government announced £670m of Local Council Tax Support Grants. This is unringfenced funding that has been provided to authorities in recognition of the increased costs of providing local council tax support following the pandemic the impact of which is reductions in the tax base.

Local Council Tax Support Grant share of £670m 2021/22	
Ribble Valley share	£40,042
LCC share	£316,465
Police share	£47,787
Fire share	£16,014
	£420,308

3.6 During the budget setting debate for the current year it was asked whether the £150 relief should be continued funded from the Council's share of the £670m grant. This would not be possible given Ribble Valley's share only amounted to £40k. However it was felt that consideration should instead be focussed on the removal of the 12% reduction in support to working age claimants going forward. It was agreed to refer further consideration of the LCTS to the Budget Working Group early in the 2021/22 financial year.

4 COST OF LOCAL COUNCIL TAX SUPPORT

4.1 Our current cost of LCTS is shown in below

	Aug-21	Jun-21	May-21	Oct-20	Oct-19
cost of support to working age claimants	1,088,985	1,129,839	1,170,067	1,101,594	815,842
cost of support to pensioners	1,073,434	1,085,492	1,089,632.	1,062,227	1,033,767
	2,162,419	2,215,332	2,259,699.	2,178,726	1,881,968
	Increase since Oct 19				
cost of support to working age claimants	33%	273,142			
cost of support to pensioners	4%	39,666			
extra cost in LCTS since Oct 19		312,809			

4.2 For illustration purposes the table below shows cost of eliminating the 12% reduction in support as borne by each preceptor.

As at 10/8/21				
	Cost at 10/08/2021		Has been reduced by 12%	Without Reduction full cost would therefore be
cost of support to working age claimants	1,088,985		148,498	1,237,483
cost of support to pensioners	1,073,434			
	2,162,419			
Share of reduction based on overall share of 2021/22 Council Tax				
Ribble Valley BC	155.69	8.1%	11,969	
Parishes	20.98	1.1%	1,613	
Lancashire County Council	1,456.19	75.4%	111,950	
Fire	72.27	3.7%	5,556	
Police and Crime Commissioner	226.45	11.7%	17,409	
	1,931.58	100.0%	148,498	

5 NEXT STEPS

- 5.1 The Budget Working Group considered the LCTS scheme at their meeting on 18 August and recommend that Policy and Finance agree to consult on a change to the scheme specifically the removal of the 12% reduction in support to working age claimants.

6 RECOMMENDED THAT

- 6.1 Agree that we consult on the removal of the 12% reduction in support to working age claimants in this Council's Local Council Tax Support scheme.

DIRECTOR OF RESOURCES

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1 SEPTEMBER 2021