

Council Tax Support Scheme 2025/26

Report of the Head of Finance & Revenues

Recommended:

That feedback from the Member Panel relating to a review of the Council's Council Tax Support scheme for 2025/26 be considered.

SUMMARY:

The report sets out Member Panel feedback that resulted in the recommendation of principles for a proposed Council Tax Support scheme for adoption in 2025/26.

1 Introduction

- 1.1 The Council is required to have a Council Tax Support (CTS) scheme to assist residents with their liability to pay Council Tax. The scheme must meet the prescribed requirements published by central government for pension-age residents. Since 2013, the Council has had significant control over the design of what is now a local scheme in respect of working-age residents.
- 1.2 At the Overview and Scrutiny Committee meeting in February 2024, it was agreed that a Member Panel would be set up to review options for a CTS scheme from 2025/26.
- 1.3 A Panel was formed, comprising Cllrs Burnage, Cattell, Dunleavey and Matthews, led by Cllr MacDonald. Between March and May, the Panel reviewed the current CTS scheme, considered drivers for change, and agreed some recommended principles which will feed into the design of a proposed scheme to be shared at a future Overview and Scrutiny Committee meeting.

2 Current CTS Scheme and Drivers for Change

Current CTS Scheme

- 2.1 The current CTS scheme for working-age residents broadly follows the central government designed Council Tax Benefit scheme which was in place prior to 2013. The scheme is complex for customers to understand and requires significant officer resource to input the details into a specialist software system for the assessment and calculation of the following:
 - Household composition and assessment of the household's 'applicable amount' (a standard national figure which the government believes reflects the basic living needs of an individual). There are rules around who is and is not considered a member of the household for this purpose, and the applicable amount is based on age and family make-up, with additional premiums for those in receipt of qualifying disability benefits.

- Household income. Earned and unearned income is assessed differently. Different types of income may be disregarded in part (based on household composition, number of hours worked per week, and disability or lone-parent status) or in full (for child benefit and qualifying disability benefits).
- Household capital. Different forms of capital are assessed differently and some capital may be disregarded, either permanently or for a period of time, or can be converted to income for the purpose of the CTS assessment.
- The applicable amount is compared to income to calculate entitlement to CTS. Maximum entitlement is given to those with income equal to or below their applicable amount. A tapered award is given to those with excess income.
- Maximum entitlement is capped at 90% of the claimant's Council Tax bill for most working-age claimants. There is no cap for those who meet qualifying vulnerability criteria (those in receipt of the limited capability for work element of Universal Credit, or the support component of Employment Support Allowance).
- Non-dependent deductions. Support is reduced where there are non-dependent adults (e.g. grown up children or elderly parents) living in the household.
- Claimants must report changes in their circumstances so CTS may be reassessed. To prevent weekly or monthly recalculations in CTS, where there is a change in income of less than £30 per week, there is no change to CTS entitlement until such time as any further changes cumulatively amount to £30 per week or more.

Drivers for Change

- 2.2 Change of income is often reported monthly for claimants who are employed or in receipt of Universal Credit. For each change in income, the current scheme requires a reassessment of entitlement. Where a change affects the amount of CTS entitlement, the Council Tax account is recalculated and instalments are amended.
- 2.3 Due to the requirements in the notice period we must give customers to changes in instalments for Council Tax, regular reassessments can cause difficulty in collection of amounts owed, in effect delaying payment due dates and potentially shortening the amount of time households have to pay, depending on the months remaining in the financial year. This can also be confusing for customers to understand with regularly changing bills.
- 2.4 There is an opportunity to simplify the CTS scheme with an objective of making the calculation easier to understand and requiring fewer changes to bills to be processed.

- 2.5 A further factor affecting CTS is whether the claimant is on Housing Benefit or Universal Credit (UC). The current CTS scheme is similar to Housing Benefit, so both schemes are administered at the same time by the same team. As more of the Housing Benefit caseload transfers across to UC, there is more scope (and benefit) from introducing a simpler CTS scheme. In December 2023, the government set out plans to take forward the managed migration of households in receipt of Housing Benefit across to UC throughout the 2024/25 financial year. This makes the timing of changes to the CTS scheme relevant for consideration at this time.
- 2.6 The Corporate Plan sets out how we want to help our communities to thrive. A clearer, more easily understood scheme would support this goal and could help our residents manage their finances and financial welfare more effectively. It would also make it easier for residents to apply for what they are entitled to and know in advance what their discount is likely to be.

3 Feedback from Member Panel

- 3.1 In the first panel meeting, Members were presented with a detailed overview of the current CTS scheme and the challenges that residents and officers face in claiming/administering the scheme due to its complexity. Members also reviewed a variety of options that could simplify the scheme, along with the advantages and disadvantages of each. A summary of these options is set out in Annex 1. Members agreed to explore options for an income-banded scheme as this most closely met objectives for scheme simplification.
- 3.2 In subsequent meetings, Members examined key aspects of our current scheme and agreed some principles around mirroring Universal Credit rules where appropriate; this was due to the continued rollout of Universal Credit as the predominant welfare benefit across the country, and to allow consistency in the treatment of residents in and out of work. Consideration was also given to schemes administered by neighbouring Councils in Hampshire, and to schemes administered more widely by Councils with similar demographics to Test Valley Borough Council.
- 3.3 In summary, the following principles were agreed:
- An income-banded scheme.
 - The cost will be modelled to be as close to the current scheme as possible, uplifted to expected caseload in 2025/2026.
 - Income will include earnings and tariff income, as with Universal Credit.
 - No earnings disregards will be made to income.
 - For self-employed claimants, we will use income as defined by Universal Credit.
 - No non-dependant deductions
 - A minimum 10% contribution for all working households, except those in receipt of certain qualifying benefits (the limited capability for work element of Universal Credit or the support component of Employment Support Allowance) and no earned income.

- 3.4 Officers have engaged an external consultant, Policy in Practice, to undertake modelling work to forecast the potential cost of any new scheme and the effects this will have on the caseload, including identifying how many households' entitlement will increase or decrease as a result of a new scheme being implemented.
- 3.5 The Member Panel has reviewed some example models and sought refinements before a final scheme is brought to the committee for wider consideration. It is anticipated that this will form the basis of a scheme to be shared with Overview and Scrutiny Committee at its July meeting.

4 Consultations/Communications

- 4.1 Any material changes to the CTS scheme will require a minimum 8-week public consultation period. The timetable set out in the previous Overview and Scrutiny Committee report has been updated as follows:

17/07/24	Overview and Scrutiny Committee to receive the final conclusions of the panel
21/08/2024	Cabinet - agree draft scheme to consult on
30/08/2024 to 27/10/2024	Consultation on possible options (minimum of 8 weeks)
Week commencing 28/10/2024	Review of consultation responses and update Equalities Impact Assessment (EQIA)
27/11/2024	Overview and Scrutiny Committee - present findings from consultation, EQIA, proposed new scheme and agree recommendations to Cabinet
From 28/11/2024	Finalise new scheme document
15/01/2025	Cabinet - recommend scheme to Council
29/01/2025	Council - approve final scheme
February 2025	Publicity of scheme
February / March 2025	System testing to ensure accuracy of billing

5 Legal Implications

- 5.1 Schedule 1A of the Local Government Finance Act 1992, when preparing or revising a CTS scheme the Council must (in the following order):
- consult the major precepting authorities
 - publish a draft scheme

- consult such other persons as the Council considers are likely to have an interest in the operation of the scheme (such as CTS claimants and council taxpayers)
- approve the scheme by no later than 11 March in the financial year preceding that for which the replacement scheme is to have effect
- publish the approved scheme

6 Conclusion

6.1 The current CTS scheme has been in place since 2019. The report presents Member Panel feedback and the agreed principles for a proposed Council Tax Support scheme for consideration by Overview and Scrutiny Committee.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	1		
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