

Council Tax Support Scheme 2025/26

Report of the Finance & Resources Portfolio Holder

Recommended:

That the draft Council Tax Support scheme, as shown in Annex 2 to the report, be approved for public consultation.

SUMMARY:

- The Council is required to approve its Council Tax Support (CTS) scheme ahead of each financial year.
- The Council is able to design its own local scheme in respect of working-age residents.
- Options for a new CTS scheme have been considered and have undergone a scrutiny process by Members.
- It is recommended that the draft CTS scheme is approved for the purpose of carrying out a public consultation.

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. While the scheme must meet the prescribed requirements published by central government for pension-age residents, the Council is able to design its own local scheme for working-age residents.
- 1.2 This report considers the options available to the Council for its CTS scheme for the financial year 2025/26.

2 Background

- 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.
- 2.2 The scheme is complex; it can be difficult for residents to understand and for officers to administer. Residents cannot easily estimate their entitlement to support until a decision has been made by officers. CTS recipients must report changes in their circumstances so CTS may be reassessed; where a change affects the amount of CTS entitlement, the Council Tax account is recalculated, resulting in a new Council Tax instalment plan. Due to the notice period that must be given when recalculating instalments, regular reassessments can delay the date that payments are due and reduce the amount of time households have to pay.

- 2.3 The ongoing rollout of Universal Credit, the Government's predominant means-tested welfare benefit, also affects CTS. The current CTS scheme is similar to the Housing Benefit scheme, so both schemes are administered at the same time by the same officers. The Government has set out plans to migrate households in receipt of Housing Benefit to Universal Credit during the 2024/25 financial year. As the Housing Benefit caseload transfers to Universal Credit, there is more scope and benefit in introducing a simpler CTS scheme. This makes the timing of changes to the CTS scheme relevant for consideration at this time.
- 2.4 In February 2024, the Overview & Scrutiny Committee formed a Member Panel to consider options for a new CTS scheme. Members considered a variety of CTS scheme options and proposed that an income-banded scheme would most closely meet the objectives for scheme simplification and reduction in monthly changes to residents' Council Tax instalments. Members examined key aspects of the current scheme and recommended some principles around mirroring Universal Credit rules where appropriate to allow consistency in the treatment of residents in and out of work. Members explored options which would keep the number of households losing out on support under any new scheme to a minimum, whilst keeping the cost of the scheme as close as possible to current expenditure (allowing for the estimated uplift in Council Tax charges for 2025/26).
- 2.5 The principles recommended by the Member Panel were used by an external consultant to model the cost of the proposed scheme and its impact upon residents. The results were reviewed by Members and refinements were made in order to minimise the number of households that might lose out on support under the proposed scheme. These principles are set out in Annex 1.
- 2.6 The principles have been used to draft a full CTS scheme as set out in Annex 2.

3 Corporate Objectives and Priorities

- 3.1 A CTS scheme is a legislative requirement; however, the Council is able to design and maintain a scheme which supports its own objectives and priorities.
- 3.2 The Corporate Plan for 2023 to 2027, "A Place for Everyone – Supporting our Communities to Thrive", includes commitments to inclusion and prosperity. 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 the amount of support is likely to be.

4 Consultations/Communications

- 4.1 As set out in Schedule 1A of the Local Government Finance Act 1992, before adopting a new CTS scheme, the Council must in the following order:
- a) consult its major precepting authorities,
 - b) publish a draft scheme, and

c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

4.2 Officers have shared the proposed CTS income bands and principles as set out in Annex 1 with Hampshire County Council, Hampshire & Isle of Wight Fire and Rescue Authority, and Hampshire & Isle of Wight Police and Crime Commissioner. The Police and Crime Commissioner has confirmed they have no objections. Feedback from the other preceptors is expected by 16th August. This initial consultation can be revisited if an alternative scheme is ultimately agreed for public consultation.

4.3 This report recommends that the draft Council Tax Support scheme, as shown in Annex 2, be approved for public consultation. This would include writing directly to the households affected by the changes to the proposed CTS scheme, promotion of the consultation on the Council's website and social media channels, and through local charities and support groups such as Citizens Advice.

5 Options

5.1 It is a legal requirement for the Council to approve its CTS scheme in advance of the start of the financial year. If making significant changes to the scheme, a public consultation must be carried out.

5.2 The options are:

Option 1 – Make no substantial changes to the existing CTS scheme for 2025/26.

Option 2 – Approve the draft CTS scheme, as shown in Annex 2, for public consultation (recommended).

Option 3 – Consider and approve an alternative CTS scheme for public consultation.

6 Option Appraisal

Option 1 – Make no substantial changes

6.1 The current CTS scheme is complex. Residents cannot always easily estimate their possible entitlement to support until a decision has been made by officers. CTS recipients with regularly fluctuating incomes experience multiple changes to the Council Tax instalments they must pay. As such, the option to make no changes to the scheme is not recommended.

6.2 This option would still enable statutory uplifts to the scheme for 2025/26 to be undertaken, without the need for a public consultation.

Option 2 – Approve the draft CTS scheme in Annex 2 for public consultation

6.3 The draft scheme in Annex 2 has undergone a robust modelling process by an external consultant with significant involvement and scrutiny by Members and officers.

- 6.4 Its alignment with Universal Credit principles allows consistency in the treatment of residents both in and out of work. Being an income-banded scheme, residents can check their entitlement to support prior to making an application, and the bands are designed to reduce the number of changes that affect CTS entitlement, thereby allowing residents to manage their finances and financial welfare more effectively.
- 6.5 The proposed scheme meets the Council's objectives. This option is therefore recommended.

Consider and approve an alternative CTS scheme for public consultation

- 6.6 The proposed scheme is the result of significant research and modelling. It is therefore unlikely that investigating alternative scheme options would result in a different or more favourable recommendation.
- 6.7 To consider an alternative scheme, further work would need to be undertaken to establish the cost and the impact upon residents.
- 6.8 A new scheme would have to be drafted prior to a public consultation. This would delay implementation of a new scheme until the 2026/27 financial year. As such, this option is not recommended.

7 Risk Management

- 7.1 The proposed CTS scheme has undergone a robust modelling process.
- 7.2 No decision is being taken to adopt the proposed CTS scheme at this time. A full risk assessment will be undertaken when a revised scheme is recommended to Members for adoption.

8 Resource Implications

- 8.1 The total cost of CTS is shared with other preceptors (Hampshire County Council, Hampshire & Isle of Wight Fire and Rescue Authority, and Hampshire & Isle of Wight Police and Crime Commissioner). Test Valley Borough Council's share of the total cost in 2025/26 is expected to be approximately 10%.
- 8.2 One of the objectives of the recommended CTS scheme is to be as close to cost-neutral as possible. It is estimated that the cost of the proposed scheme in 2025/26 will be £6,188,553. This is an increase of £52,165 (or 0.85%) compared to the current scheme cost (uplifted for estimated 2025/26 caseload). The Council's share of the increased cost is approximately £5,200.
- 8.3 Should the recommended CTS scheme be adopted, the estimated cost to the Council will be built into the tax base for the 2025/26 financial year and can therefore be accommodated within budget.
- 8.4 Should an alternative scheme be approved, further modelling work would need to be undertaken to establish its cost.

9 Legal Implications

- 9.1 The Council has a legal responsibility to create, maintain and renew its CTS scheme on an annual basis, as set out in Section 13A and Schedule 1A of the Local Government Finance Act 1992.

10 Equality Issues

- 10.1 The proposed CTS scheme has undergone a robust modelling process which identified households that may be affected positively or negatively, and development of the scheme has undergone a scrutiny by Members. Throughout its development, the proposed income bands and principles have been refined in order to mitigate the negative impact upon households.
- 10.2 A full Equality Impact Assessment will be carried out upon receipt of consultation responses and reported on when a final scheme is recommended for adoption.

11 Other Issues

- 11.1 All wards and communities will be affected by the proposed CTS scheme.

12 Conclusion

- 12.1 The recommended scheme has undergone a robust modelling process with involvement and scrutiny by Members and officers, and it meets the objectives set out in this report.
- 12.2 It is therefore recommended that the scheme be approved for public consultation.

<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:	2	File Ref:	N/A
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Report to:	Cabinet	Date:	21 August 2024