

Council Tax Support Scheme 2025/26

Report of the Finance and Resources Portfolio Holder

Recommended:

1. That the Council Tax Support scheme for 2025/26, as shown in Annex 1 to the report, be approved.
2. That the Council Tax Exceptional Hardship scheme, as shown in Annex 2 to the report, be approved.
3. That the Head of Finance and Revenues, in consultation with the Finance and Resources Portfolio Holder, be authorised to make any necessary changes to the Scheme that are required by the Council Tax Reduction Schemes (Prescribed Requirements) Regulations 2025 when they are confirmed by the Ministry of Housing, Communities and Local Government.
4. In the event that any new government initiatives are introduced that result in receipt of a grant or an increase in Universal Credit or other government benefits, that the Head of Finance and Revenues, in consultation with the Finance and Resources Portfolio Holder, be authorised to disregard these awards as income in accordance with government guidelines.
5. That the Council continues to exercise its discretion to disregard income from war widow pensions in the calculation of Council Tax Support entitlement for pension age recipients.

Recommendation to Council

SUMMARY:

- The Council is required to approve its Council Tax Support scheme ahead of each financial year.
- The report recommends significant changes to the way that Council Tax Support is administered for working age claims with effect from April 2025. This follows a public consultation exercise that was carried out in the autumn of 2024.

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.

- 1.2 The scheme must, as a minimum, meet the prescribed requirements published by central government for pensioner claimants. The scheme must also make provision for residents liable to Council Tax who are of working age.
- 1.3 This report considers the options available to the Council for its CTS scheme for the financial year 2025/26.

2 Background

History to CTS

- 2.1 CTS was introduced on 1 April 2013 to replace the former Council Tax Benefit scheme.
- 2.2 Despite cuts to the underlying government funding at that time, the Council was able to avoid introducing restrictions on the maximum CTS allowance in the initial years. The reasons for this have been described in previous years' reports.
- 2.3 The point was eventually reached where the cost of the CTS scheme could no longer be contained within its existing budget and a range of options were consulted on to take effect from 1 April 2019.
- 2.4 This resulted in the introduction of a minimum charge for most working age claimants of 10%. Other changes were also introduced at that time and included an increase to the minimum CTS payment and a £30 per week earnings tolerance for changes in circumstances. At the same time, the Council was able to continue offering up to 100% CTS for the most vulnerable members of our community.
- 2.5 The CTS scheme for pensioners is set by central government, with a limited amount of discretion for local authorities. The requirements for this scheme have not yet been published but are not expected to change greatly from the current year's scheme.
- 2.6 In previous years, the council has used its discretion to allow war widow's pensions to be disregarded in full as an income when assessing CTS entitlement. This compares to the 50% reduction that is included in the Regulations and affects only 12 claims in our current caseload. It is recommended that this continues for the 2025/26 financial year.

Proposed Changes

- 2.7 The ongoing rollout of Universal Credit to replace traditional working age benefits is due for completion in 2025/26. This presents an opportunity to make significant changes to our CTS scheme in order to simplify it and more closely align with Universal Credit.
- 2.8 Our current CTS scheme is complex. It is very difficult for a prospective claimant to know if they may qualify for support. This is a barrier to support for our most vulnerable residents and affects the efficiency of Council Tax collection. Once CTS is awarded, it is difficult for claimants to understand how their support has been calculated.

- 2.9 The current scheme is also administratively complex. It is largely based on Council Tax Benefit rules in place prior to 2013 and requires a lot of information to correctly assess the calculation. For an increasing number of claimants, this means providing information to the DWP for Universal Credit and then different information to the Council for CTS. The new scheme seeks to reduce this duplication as much as possible.
- 2.10 Universal Credit is assessed monthly and any changes in income result in a re-assessment of CTS entitlement. This means that Council Tax liability changes frequently and can make it difficult for claimants to budget for their Council Tax bill.
- 2.11 Since February 2024, officers have worked with a panel of Councillors from the Overview and Scrutiny Committee to examine the current complexities and explore options for simplification.
- 2.12 The panel recommended that the most appropriate option to take forward was a banded CTS scheme. This means that a simple table would be produced where the percentage of support granted would depend on household make up and income. All aspects of the calculation were reviewed. A summary of the principles agreed to be consulted on can be found in Annex 3. The most significant of these were:
- That overall, the scheme should be as close to cost neutral as possible. Councillors were clear that this is not a cost saving exercise to pass a higher level of Council Tax on to those least able to afford it.
 - Mitigation should be put in place for any household that may suffer financial hardship as a result of the changes to the policy. A hardship fund forms part of the recommended scheme. The policy for the hardship fund is shown in Annex 2 to the report.
 - That, as far as possible, consistency with Universal Credit requirements be aligned to simplify the scheme for claimants.
- 2.13 A third-party consultancy firm was engaged to model the proposed scheme to ensure it was financially viable and did not adversely affect a large number of claimants.
- 2.14 A draft scheme was prepared based on these principles and Cabinet approved this to be consulted upon at its meeting on 21 August 2024.

Regulations

- 2.15 Each year, the government makes amendments to the Council Tax Reduction Schemes (Prescribed Requirements) Regulations. These Regulations provide definitions of new types of income / benefits and how they must be treated for the pension-age element of Council Tax Support schemes. In many cases this will also affect the working-age element of the Council's scheme.

- 2.16 The 2025/26 Prescribed Requirements Regulations have not yet been published but must be incorporated into the final CTS scheme. It is therefore recommended that the Head of Finance and Revenues, in consultation with the Finance and Resources Portfolio Holder, be authorised to make any amendments necessary to the Council's CTS scheme when the Regulations are published.

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 2023 to 2027, "A Place for Everyone – Supporting our Communities to Thrive" includes commitments to inclusion and prosperity. Maintaining the current levels of support within our CTS scheme helps protect some of our most financially vulnerable residents.
- 3.3 The recommended changes to the scheme are expected to make it easier for claimants to understand, increasing the likelihood that households will not be put off from claiming what they are entitled to.

4 Consultations/Communications

Major Preceptors

- 4.1 Officers consulted with our major preceptors, the Police and Crime Commissioner, Hampshire County Council and the Hampshire and Isle of Wight Fire and Rescue Authority.
- 4.2 The responses to the consultation were supportive of the proposed scheme.
- 4.3 The Police and Crime Commissioner advised that Test Valley Borough Council are best placed to understand the local issues advised. They had no objections to any of the proposals shared.
- 4.4 A joint response was provided by Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Authority. They advised that Test Valley Borough Council are best placed to know the circumstances of existing residents. They further advised that a good scheme should protect the most vulnerable residents and that costs should be carefully managed. They were supportive of the aims to simplify the scheme and more closely align it with Universal Credit. They confirmed that they were comfortable with the projected cost of the scheme.

Public Consultation

- 4.5 A public consultation was open to residents and those otherwise affected by the scheme from 2 September 2024 to 27 October 2024. The consultation was primarily run online; however, a paper version of the survey was also available upon request.

- 4.6 All working age CTS recipients as of 9th September 2024 were contacted directly inviting them to provide a response. This was 2,630 households. An equal random sample of other taxpayers were also contacted to provide a response. The consultation was publicised in resident newsletters, our social media channels and in the local media.
- 4.7 The survey asked respondents whether they agreed there was a need for change, and their opinion on each aspect of the proposed changes. Respondents had the opportunity to provide a free text response on each question in the survey.
- 4.8 A total of 369 responses were received, however each question received a different response rate.
- 4.9 While some aspects of the proposed scheme were more popular than others, for each question asked more respondents agreed than disagreed. The table below shows the response rate for each question:

	Yes	No	Don't know	Total responses
Overall need for Change	153	73	143	369
Banded Scheme	118	110	81	309
Disability Protection	121	95	76	292
Income used in assessment	128	75	77	280
Self-employed minimum income floor	113	87	74	274
Capital limit	138	53	72	263
Non-dependant deductions	118	67	71	256
Discretionary Hardship Fund	148	36	66	250

4.10 A full report on the consultation responses can be found in Annex 4.

5 Options

- 5.1 It is a requirement for the Council to approve its CTS scheme in advance of the start of each financial year. The options are:
 - Option 1- recommend the 2025/26 CTS scheme (Annex 1) for approval (recommended)
 - Option 2- make minor changes to the drafted CTS scheme of a nature that would not require full public consultation.
 - Option 3- continue with the current scheme into 2025/26 with the usual inflationary uplifts applied.

6 Option Appraisal

6.1 Any significant changes to the CTS scheme require a public consultation exercise to be carried out. As set out in paragraphs 4.5 to 4.10, such a consultation was undertaken with regard to the CTS scheme for 2025/26.

- 6.2 The results of the consultation show clear support for a change to the way that CTS is calculated. For this reason, option 3 is not recommended.
- 6.3 Councillors and officers considered a wide range of options in preparing a draft scheme for consultation. The results of the public consultation have not identified any new concerns or equalities matters that require any of the scheme principles to be re-visited. Therefore, option 2 is not recommended.
- 6.4 It is recommended that Cabinet recommend option 1 to Council as this is the scheme that was supported in the consultation.
- 6.5 If approved, officers will review the effectiveness of the 2025/26 scheme and investigate alternate delivery options at the appropriate time. Due to the requirement for public consultation, it is unlikely that significant changes will be possible for the 2026/27 scheme (i.e. it is very unlikely there will be enough time between the start of the financial year and the time that a consultation would need to commence to gain enough reliable evidence to inform any further changes).

7 Risk Management

- 7.1 There is a risk that the cost of the new scheme will be more expensive or less generous than originally forecast. This has been mitigated as far as possible through detailed modelling of current and forecast caseloads. The actual cost of the new scheme will be closely monitored with that data used to inform future development of the CTS scheme.
- 7.2 The recommended option requires significant changes to the underlying systems that process CTS and a training requirement for the staff that will be processing the caseload. Testing of the recommended option has already confirmed that the new scheme can be effectively delivered by our existing supplier and a detailed implementation and training plan is in place, pending approval of the scheme.

8 Resource Implications

- 8.1 CTS is a discount that is applied to the Council Tax charge of eligible customers, reducing the amount of Council Tax payable.
- 8.2 An estimate of the amount of CTS that will be awarded each year is included in the annual tax base calculation. This is the calculation that sets the expected income that the Council will generate from Council Tax each year.
- 8.3 The below table shows the current tax base for Council Tax, and current caseload data for CTS. The total cost of CTS is shared with other preceptors (HCC, Hampshire PCC and Hants and IoW Fire and Rescue). TVBC's share of the total cost in 2025/26 is expected to be approximately 10%.

	2023/24	2024/25	2025/26 (estimated)
Tax base for the year	51,968	52,059	52,407
Total CTS caseload	4,545	4,580	4,566
CTS working-age caseload	2,570	2,619	2,621
CTS pension-age caseload	1,975	1,961	1,945
CTS as % of tax base	8.75%	8.80%	8.71%
Total CTS included in budget (£'000)	5,217	5,626	5,754
TVBC share of budgeted CTS (£'000)	511	568	581

8.4 The table shows that the total cost of the scheme in 2025/26 is estimated to be £5.754M, of which this Council's share will be £581,000.

8.5 The estimated cost to the Council of £581,000 has been built into the tax base for the 2025/26 financial year and can therefore be accommodated within budget.

9 Legal Implications

9.1 The Council has a legal responsibility to create, maintain and renew its CTS scheme on annual basis. These powers are contained in Section 13A of the Local Government Finance Act 1992 as amended.

10 Equality Issues

10.1 An Equalities Impact Assessment has been carried out in respect of the recommended CTS scheme.

10.2 Whilst some potential negative impacts were identified related to residents potentially receiving less CTS than at present, these impacts do not arise on the basis of any protected characteristic.

11 Other Issues

11.1 All wards and communities are affected by the Council's CTS scheme.

12 Conclusion

12.1 The current CTS scheme is complex for both residents and the administering officers. There is significant opportunity for simplification, while still maintaining the current support available to residents.

- 12.2 Universal Credit is now the predominant working-age benefit and is widely understood by claimants. By aligning our scheme with Universal Credit where possible, it will be easier for claimants to understand how their award has been calculated.
- 12.3 It is recommended that the CTS scheme for 2025/26, complemented by the Exceptional Hardship Policy, as set out in Annexes 1 and 2, be recommended to Council.

<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:	4	File Ref:	N/A
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Report to:	Cabinet	Date:	15 January 2025