

Council Tax Support Scheme 2025/26 Working Party Report

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1.0 - INTRODUCTION AND BACKGROUND

1.1 This paper provides a background to the current Local Council Tax Support Scheme (CTS) for North Norfolk along with current and historical information on caseloads, statistical and financial information.

1.2 The paper asks the working party to consider options for changes to the scheme for 2025/26 or for the scheme to remain the same.

1.3 Council Tax Support (CTS) was introduced in April 2013 as a replacement to Council Tax Benefit (CTB) which had been a national Welfare Benefit. The changes were introduced by the Local Government Finance Act following the 2010 Spending Review as part of the Government's wider Welfare reform programme which aimed to:

- Improve the incentives to work.
- Protect the most vulnerable people in society including full protection for pensioners previously on council tax benefit.
- Deliver fairness to people claiming benefits and to the taxpayer ensuring that resources are used more effectively.
- Make savings to the overall welfare bill.

1.4 Council Tax Benefit was previously funded 100% by Central Government subsidy. Prior to 2023, the authority received a CTS Administration Grant. In 2022, this was approx. £137k.

1.5 From 2023, the central government contribution towards our administrative costs for the scheme is included as part of the Revenue Support Grant (RSG), but it is not possible to calculate the exact proportion of the grant that relates to the administration of the scheme as the RSG combines several grants. There is no other separate funding for CTS schemes.

1.6 For 2013/14 the Government made available one-off funding to support Local Authorities that implemented schemes that met set criteria, which essentially included the following:

- Those previously entitled to 100% support under the previous Council Tax Benefit system would pay no more than 8.5% of their net council tax liability (91.5% discount).
- The taper rate does not increase above 25%.
- There is no sharp reduction in support for those entering work, therefore maintaining a positive incentive to work.

1.7 The above criteria were used to develop the North Norfolk scheme for 2013/14, and the main scheme principles have remained unchanged since then.

1.8 The responsibility for designing and administering the CTS scheme sits with the Council (the billing authority) but it has implications on the Council Tax generated for all major precepting authorities, namely Norfolk County Council and the Police and Crime Commissioner.

- 1.9 With the 2025/26 budget for the Council at present being forecast at a £1.8m deficit, this is requiring the Council to challenge all areas of spend and to look for opportunities to reduce the funding gap.
- 1.10 Services have been asked to consider where savings could be realised from elements of service delivery, and a review of the Council Tax Support Scheme presents an opportunity. Whilst there are significant deficits to address in future years which is the reason Members agreed to increasing council tax by maximum level, it is recommended that the Working Party consider making changes to the current scheme to reduce the levels of expenditure going forward.

2.0 - THE CURRENT COUNCIL TAX SUPPORT SCHEME

- 2.1 The Council's scheme, introduced in 2013/14, met the government's default criteria and therefore was eligible for transitional funding. The scheme essentially reduced CTS by 8.5%, which meant that those of a working age, depending on other criteria, would be required to pay 8.5% of their council tax liability i.e. a discount of 91.5%.
- 2.2 The initial scheme has been extended into 2024/25 seeing certain rules being amended to reflect wider welfare reform changes, including amendments to the Housing Benefit rules and the introduction of Universal Credit.

The following outlines the current 2024/25 scheme for North Norfolk District Council

Current Scheme Criteria:

- 2.3 Our current CTS scheme assesses people's income against an allowed amount, called an 'applicable amount'. If their income is less than the applicable amount they receive full CTS, subject to an 8.5% contribution if they are working age. If their income is more than the applicable amount their CTS is reduced by 20p for every extra £1.
- 2.4 The key points of our current CTS Scheme are shown in table 1.

Table 1:	Our Current Local Scheme	National Pension Age Scheme
Maximum level of Support	91.5%	100%
Weekly Deduction for a Non-Dependant based on their level of income:		
<ul style="list-style-type: none"> • Passported benefit • Not working or claiming passported benefit • Weekly Earnings £255.99 or less • Weekly earnings between £256.00 to £444.99 • Weekly earnings between £445.00 to £553.99 • Weekly earnings £554.00 and over 	£0.00 * £4.90 £4.90 £10.05 £12.60 £15.10	£0.00 ** £4.90 £4.90 £10.05 £12.60 £15.10
Weekly Earnings Disregard		
<ul style="list-style-type: none"> • Single • Couple • Disabled or Carer • Lone Parent • Additional earnings disregard (working 16/30 hours) 	£5.00 £10.00 £20.00 £25.00 £17.10	£5.00 £10.00 £20.00 £25.00 £17.10
Backdating	6 months	3 months
Tariff income for capital	£1 for every £500 over £6,000	£1 for every £500 over £10,000
Maximum level of capital	£16,000	£16,000
War Pensions disregard	Full disregard	Full disregard
Second Adult Rebate can be calculated where there is only one liable person for Council Tax and at least one other adult occupies the property as a non-liaible person.	Yes	Yes

** If a claimant/partner are in receipt of DLA or PIP (daily living component) then exempt from non-dependant deduction.*

*** If claimant/partner in receipt of AA then exempt from non-dependant deduction.*

2.5 To fulfil the requirement to consider vulnerable groups, CTS is paid based on the national, more generous scheme for those who have reached the qualifying age for State Pension Credit. Entitlement to CTS in these cases is based on 100% of their weekly Council Tax bill.

2.6 To protect other vulnerable groups, where the applicant and/or partner are in receipt of a war pension, and/or disability benefits such as attendance allowance, disability living allowance or Personal Independence Payments, income from such benefits will be disregarded in full.

2.7 In all other areas the CTS scheme rules will follow the rules for working age Housing Benefit claims.

3.0 - COUNCIL TAX SUPPORT EXPENDITURE

3.1 CTS expenditure had been steadily increasing as shown below. This is due to increases to council tax charges and the income maximisation work to find households missing out on financial support. This is illustrated in table 2.

Table 2:

Year	Total CTS expenditure
2020	£ 7,543,581.60
2021	£ 7,664,169.54
2022	£ 7,738,647.92
2023	£ 8,052,256.45
Sep-24	£ 7,985,277.36

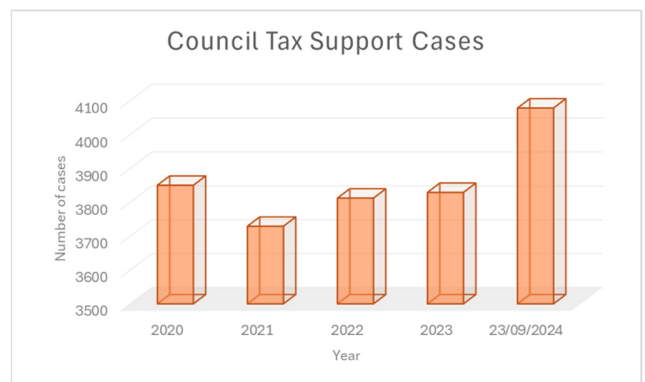
3.2 In 2023, CTS expenditure for pension age applicants was £4.1 million, 51% of the total of all CTS expenditure. This is currently being mirrored in expenditure for 2024/25 year. The Council is unable to make any changes to the Prescribed CTS Pensioner scheme. Therefore, any savings provisions within the CTS scheme will fall within the 49% (£3.9 million) of working age CTS expenditure.

4.0 – COUNCIL TAX SUPPORT RECIPIENTS

4.1 The overall Council Tax Support caseload has started to increase as shown in table 5 below. The number of working age Council Tax Support claims has started to rise, mainly due to our take up campaign work connected to Universal Credit migration, and due to more households now qualifying for support due to an increased Council Tax charge. This is represented in table 3.

Table 3:

	Working Age CTS	Pension Age CTS	Total CTS claims
2020	2282	1568	3850
2021	2265	1464	3729
2022	2422	1390	3812
2023	2427	1402	3829
23/09/2024	2676	1402	4078



5.0 - UNIVERSAL CREDIT (UC) CONSIDERATIONS

- 5.1 The full version of UC has been available in every part of the UK since December 2018, meaning that it is now the only option for any working-age people wishing to apply for means-tested assistance. It is no longer possible for working-age households to make a new claim for a legacy benefit (there are some exceptions for temporary and supported housing) or tax credits which are being replaced.
- 5.2 Under the latest plans, households claiming one of the six legacy benefits will be invited to transfer to Universal Credit. Full migration to Universal Credit is due to be completed by December 2025.
- 5.3 The process of migration will affect over 1000 households in North Norfolk currently claiming Housing Benefit. Households will receive a “migration notice” from the Department for Work and Pensions (DWP), inviting claimants to move across. Since April 2024, we have seen over 300 households migrate.
- 5.4 Universal Credit requires earnings to be updated every month which means the Council Tax Support claim is updated every month, triggering a notification letter and council tax bill each time. This also makes budgeting for the household difficult.
- 5.5 Keeping a Council Tax Support scheme for working age households that is based on the default scheme won't maintain the status quo with Universal Credit. One of the key issues councils are experiencing is the increase to the administration of Council Tax Support.

6.0 - FUTURE COUNCIL TAX SUPPORT SCHEME OPTIONS

- 6.1 The Working Party is asked to consider the following options for the CTS scheme 2025/26 for working age applicants. (Pensioners falling under the prescribed scheme cannot be changed locally).
- 6.2 **No change** – Maintain the existing (default) scheme which has been in place since 2013/14 with no significant changes to the working age scheme. The default scheme does not align with Universal Credit. Under the default scheme, Council Tax Support is different for households who get Universal Credit compared to those on legacy benefits. This makes the assessment process for Council Tax Support more difficult and time consuming for officers. See table 5.
- 6.3 **Review the current scheme and implement a revised scheme which would align with Universal Credit** - to update the scheme to align with Universal Credit by changing elements of the scheme. The recommended permutations would include: -
- 6.4 Introducing a flat rate CTS non-dependent deduction. A non-dependent is considered as someone aged 18 or over who lives in the claimant's home or is using their home as a main residence other than on a commercial basis. An example of a non-dependant would be an adult son/daughter or other relative.

- 6.5 In the current CTS scheme, there are five bands between zero and £15.10. The deduction is based upon the income of the non-dependent.
- 6.6 Our data confirms that there are currently 566 working age CTS cases with one or more non-dependents in the household; 129 of these cases are households with long-term health conditions or a disability, and/or currently in receipt of Employment Support Allowance (Income Related). These households would be entitled to the Limited Capability for Work (LCW) element of UC when they migrate, which will make them exempt from attracting a non-dependant deduction.
- 6.7 The remaining 437 cases will attract a non-dependant deduction. A flat rate of £10 for each non-dependent will result in 397 of these cases having a higher non-dependant deduction applied compared to the current deduction; 40 cases will see the non-dependent deduction reduce if a flat rate is applied.
- 6.8 Where a flat rate non-dependent deduction is applied, the non-dependent would be expected to contribute to the Council Tax bill from their own income.
- 6.9 Reducing the period of backdated awards from 6 months to 1 month. Where continuous good cause is shown, a claim can be backdated for a period of up to six months. A working age Housing Benefit claim can only be backdated for a period of up to one month.
- 6.10 The proposal is to align the allowed backdated period for working age Council Tax Support with Housing Benefit. Pension age claims can be backdated up to three months under HB and CTS schemes in line with prescribed requirements.
- 6.11 In 2023/24 we awarded an additional £17,500 in CTS under backdating cases based on a maximum award of up to 6 months. Whilst this is not a significant saving to the cost of the scheme this would align with Housing Benefit and Universal Credit schemes bringing consistency for the customer and administration. Pension Age customers would still be able to claim up to a 3 month backdate award. We are unable to forecast the cost saving to the scheme for 2025/26 as this is application based. This proposal would also bring administration savings to the claim process.
- 6.12 Removing the additional earnings disregard of £17.10 per week (actual cost to household would be £3.42 per week after 20% taper applied). There are currently 300 households in receipt of this disregard. By removing this disregard, we can reduce administration costs to the council by further automation of UC notifications. The claimant will see a greater gain than £3.42 in their UC award as this is a more generous benefit.
- 6.13 The proposals are illustrated in table 4 alongside the existing scheme currently in operation.

Table 4:	Our Current Local Scheme	Our Proposed Local Scheme
Maximum level of Support	91.5%	91.5%
Weekly Deduction for a Non-Dependant based on their level of income:		
<ul style="list-style-type: none"> • Passported benefit • Not working or claiming passported benefit • Weekly Earnings £255.99 or less • Weekly earnings between £256.00 to £444.99 • Weekly earnings between £445.00 to £553.99 • Weekly earnings £554.00 and over 	£0.00 * £4.90 £4.90 £10.05 £12.60 £15.10	£10.00 ** £10.00 £10.00 £10.00 £10.00 £10.00
Weekly Earnings Disregard		
<ul style="list-style-type: none"> • Single • Couple • Disabled or Carer • Lone Parent • Additional earnings disregard (working 16/30 hours) 	£5.00 £10.00 £20.00 £25.00 £17.10	£5.00 £10.00 £20.00 £25.00 £0.00
Backdating	6 months	1 month

* If a claimant/partner are in receipt of DLA or PIP (daily living component) then exempt from non-dependant deduction.

** If claimant/partner in receipt of LCW/LCWRA within UC then exempt from non-dependant deduction.

6.14 The impact of each option is described in table 5 and 6.

Table 5 - Impact of option one – No changes
Higher volume of Universal Credit notifications to process (around non-dependent income).
Higher volume of Council Tax re-billing due to increased volume of CTS re-assessments.
Continued requirement for claimant's not in receipt of UC to evidence non-dependent's income.
Increase to CTS re-assessments due to non-dependent income changes.
Claimants more prone to Council Tax Support overpayments due to undeclared changes of non-dependent's income leading to Council Tax arrears.
Less Council Tax to recover as scheme is more generous.
Continued disparity between Housing Benefit legislation and Council Tax Support scheme.
Continued disparity between Universal Credit legislation and Council Tax Support scheme.
Increase to cost of scheme.
Implementation of these options would not require significant changes to the Civica system.

Table 6 - Impact of option two – alignment with Universal Credit
Less administration of Council Tax Support claims.
Less Council Tax billing due to less re-assessments of Council Tax Support.
Reduced administration costs through automation.
Second adults who are not working or are working less than 22 hours per week will attract a higher non-dependent deduction to encourage adults into work. Non-dependents working 22 hours or more will see a lower non-dependent rate to make work pay.
Disabled households are protected.
Alignment with Housing Benefit and Universal Credit Alignment making administration easier and more cost effective.
Reduction to cost of scheme.
Implementation of these options would not require significant changes to the Civica system.
Reduction to Council Tax charge in 2025 will be dispersed across all Council Tax payers.
Future Council Tax increases could be negated by reduced cost of the scheme in the tax base.

7.0 - FUTURE SCHEME COSTS

Overview

- 7.1 North Norfolk District Council has commissioned Policy in Practice to provide an assessment of the current Council Tax Support (CTS) scheme and to examine possible future working-age scheme options. Local authorities in England have been responsible for the design of working-age CTS schemes since 2013. All options presented in this report therefore affect working-age households alone.
- 7.2 The options presented show individual and standalone options for scheme change. Please note that combining changes from two or more options will not necessarily combine the cost reduction of those options exactly; some changes will have different impacts on CTS awards for certain households when they interact with other changes.
- 7.3 The modelling was conducted using North Norfolk’s CTS and Housing Benefit administration data from June 2024. The total caseload receiving CTS in North Norfolk in this month was 6,515. Of these, 3,419 were working-age households. The costs and impacts presented do not account for any possible changes in overall caseload numbers or second adult rebate cases.
- 7.4 The data for working-age households consider changes for households on Universal Credit and those on legacy benefits. As modelled in North Norfolk, by 2025/26, of the total working-age caseload of 3,419 households, some 3,072 households (89.85%) are on Universal Credit, while the remaining 347 households (10.15%) are still in receipt of legacy benefits.

7.5 Headline figures are provided in this report for the current scheme retained into 2025/26 and includes an assumed 3% increase to the Council Tax charge.

North Norfolk's Current Scheme

7.6 North Norfolk's current working-age CTS scheme is based on the default pre-2013 national Council Tax Benefit scheme. It provides for a maximum CTS award of 91.5%, with a taper rate of 20%. Standard earnings disregards are applied. Different non-dependant deductions are applied based on whether the non-dependant is working or not, and if they are working, what their normal gross weekly income is. The capital limit remains £16,000. The Family Premium and Employment Support Allowance (Working Related Activity Group) premium have both been retained and apply to all claims, while the two-child limit has not been applied. The current scheme cost in 2024/25 is £7.75 million.

Current scheme retained in 2025/26

7.7 The 2025/26 scheme was modelled with a 3% increase in council tax liability for 2025/26. Migration to UC was modelled according to the DWP timetable, as well a percentage of natural migration for mixed-age couples. Benefits were updated in line with DWP figures.

7.8 Maintaining the current scheme into 2025/26 would raise the costs of the working age scheme by £101k (2.59%). Total expenditure across the Council Tax Support scheme would increase from £7.75 million to £8.02 million, an increase of £271k or 3.50%.

Proposed model for 2025/26

7.9 The proposed model is also based on the default pre-2013 scheme but differs from the current scheme in North Norfolk in the following ways:

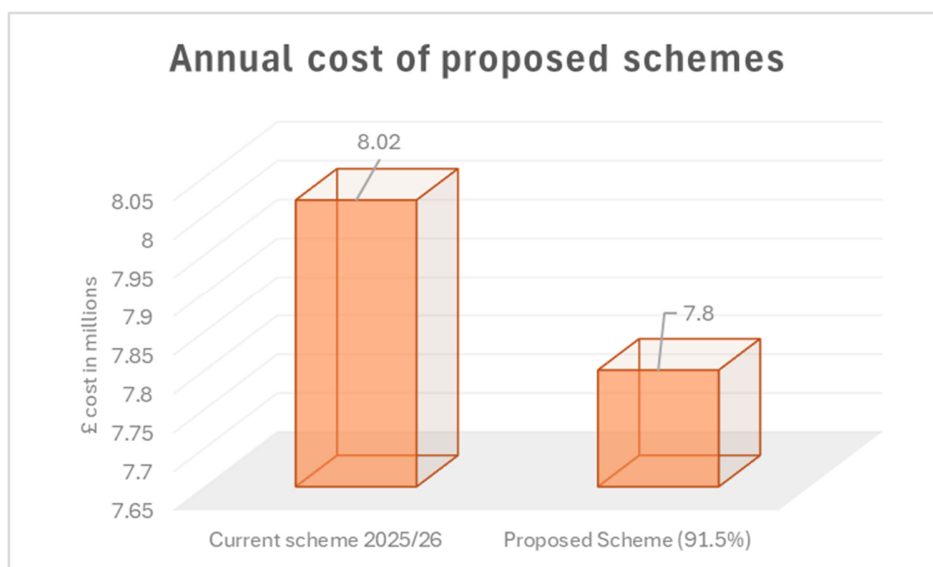
- The additional £17.10 disregard is removed for all claims.
- The current non-dependant deductions, based on earnings, is replaced by a flat-rate non-dependant deduction set at £10.00 a week. To align better with UC data, only households with LCW/LCWRA are exempt from non-dependant deductions, instead of households with PIP/DLA as prescribed by the pre-2013 scheme.
- The maximum award for working-age households is retained as 91.5%.
- Reduce period of backdating from 6 months to 1 month (but unable to include in cost savings below).

7.10 Total cost of the proposed scheme would be £7.8 million, a decrease of £220k compared to the current scheme retained in 2025/26. An analysis of the impact of the proposed scheme is represented in table 7. In addition to this we would also consider the savings from reducing the period of backdating from 6 months to 1 month, but we are unable to forecast this.

Table 7 - Analysis
122 households lose support completely
507 households lose £5 or more per week
30 households gain £5 or more per week

7.11 For cost illustration purposes only, moving to the proposed scheme but with the maximum award of 100% compared to the current scheme in 2025/26 would cost £8.19 million compared to the cost of retaining the current scheme into 2025/26, which is £8.02 million.

7.12 Scheme costs are summarised in the graph below.



8.0 - NORFOLK COUNCIL TAX SUPPORT SCHEMES

8.1 The maximum award for Council Tax Support Schemes across Norfolk is represented in table 8, along with the national average and the lowest award, illustrating the scheme currently offered by North Norfolk could be considered to be generous.

Area	2024/25 scheme
Great Yarmouth BC	80%
Broadland and South Norfolk DC	84% & 87%
Borough Council of Kings Lynn & West Norfolk	84%
Breckland DC	91.5%
North Norfolk DC	91.5%
Norwich City Council	100%
National average	77%
Lowest national scheme	60%

9.0 - CONSULTATION

- 9.1 If there are any changes proposed to the existing Council Tax Support Scheme the authority must consult on this change.
- 9.2 Some authorities have annually consulted on changes to their Council Tax Schemes and the approach to this varies from being minimal and low key, to high profile and vigorous.
- 9.3 It is possible that because the North Norfolk scheme has not been changed for several years and consultation has not been the norm, the authority may receive adverse publicity, particularly if the requirement to pay increases.
- 9.4 The authority should also give proper consideration to consultation responses.
- 9.5 It is for the authority to consider and determine how the Council Tax Support consultation process should be conducted. This also includes how robust and accessible it wishes this to be.
- 9.6 Previous legal advice from East law confirms that there is a need to consult widely regarding any proposed revision to the Councils local support scheme. This must be done prior to any revision in a form that sets out the available corporate and financial alternatives and the Councils reason for favoring the suggested revision to the Council Tax Support Scheme.
- 9.7 The current scheme was last consulted on in 2021/22. Any changes to the 2025/26 scheme would require public consultation.

- 9.8 We propose to create an online consultation which will reach out to a significant number of North Norfolk tax payers. This will include an online benefits calculator so people can check if they would be eligible to claim CTS.
- 9.9 We would also propose sending a mail shot letter to existing CTS claimants to ensure all households are aware of the consultation and can respond.
- 9.10 As major preceptors of Council Tax, we are also obliged to consult with Norfolk County Council and the Police Authority.
- 9.11 We have included a response below from Norfolk County Council (NCC), one of the major preceptors, to the Borough Council of Kings Lynn & West Norfolk (BCKLWN), in relation to their proposed Council Tax Support Scheme for 2024/25. In response to their proposals NCC have advised they would not be supportive of increases to schemes which would reduce the taxbase. Please see image below.

Appendix C

Norfolk County Council – Consultation Response



Director of Financial Management
County Hall
Martineau Lane
Norwich
NR1 2DW

Joanne Stanton (via email)



Please ask for: Harvey Bullen



06 July 2023

Dear Joanne,

Norfolk County Council response to Borough Council of King's Lynn & West Norfolk 2024-25 Council Tax Support Scheme Consultation

Thank you for your email of 27 June 2023. The County Council appreciates the opportunity to input into the consultation. Our comments on the options are as follows –

Option 1 - Make our working age CTS Scheme more generous so it is the same as the national pension age scheme and awards up to 100% support

The County Council is sympathetic to the challenges facing local tax payers and the impact of the current cost of living crisis, but on balance opposes this proposal because it is essential to maintain council tax income levels to continue to provide vital services for the public. We would therefore have concerns about any proposal reducing the taxbase and the resulting reduction in council tax income to fund services.

Option 2 - Review our Protected groups (who receive more generous levels of CTS) and reduce the maximum support for some or all groups to 84%

The County Council is sympathetic to the challenges facing local tax payers and the impact of the current cost of living crisis, but on balance supports this proposal. We are supportive of changes that will increase taxbase and provide increases in council tax income to fund service delivery.

Option 3 - Consider an alternative model for our CTS scheme such as a banded discount scheme based on household composition and income bands

The County Council neither supports or opposes this proposal at this stage. It is difficult to comment without understanding the proposed approach and potential implications of any change.



Option 4 - No change – the current CTS scheme continues for 2024/2025

Norfolk County Council's position remains that its preference would be for all Norfolk billing authorities to move towards a consistent Council Tax Support Scheme across the county on the following basis:

1. To limit Council Tax Support discount to occupants of properties no higher than Band D Council Tax.
2. To work with district colleagues across the County to establish the cap for the Council Tax Support discount for working age claimants at a uniform amount in Norfolk, suggested at 75% of the maximum Council Tax charge.

I am aware that this harmonisation will not be delivered by the current proposals, but would encourage you to consider these principles again for any future revisions to the Council Tax Support Scheme. The County Council would be very happy to facilitate county wide discussions to achieve this objective.

Kind regards,

Harvey Bullen
Director of Strategic Finance

10 - EQUALITY IMPACT ASSESSMENT

- 10.1 An Equality Impact Assessment is required for the 2025/26 scheme where changes are made. This will be completed following the decision of the working party.

11 - FINANCIAL RISK AND IMPLICATIONS

- 11.1 The current CTS scheme criteria are reflected within the current tax base. Any changes to the scheme will have a financial impact in that a less generous scheme will increase the council tax required to be collected and reduce expenditure. A more generous scheme will result in an increase in expenditure of the scheme but less council tax to be collected.
- 11.2 The CTS scheme is based on an assessment of a household's income against an allowed amount. The cost-of-living crisis is not causing an increase in the CTS caseload as household incomes are generally stable or rising with higher pay rises. However, household expenditure is also increasing causing pressure on household budgets. Other support with these rising costs is being given by us (for example through the Household Support Fund) and from other organisations.
- 11.3 Where the council decides to increase Council Tax (subject to members agreeing) any reduction in the cost of the Council Tax Support scheme would reduce the increase to the taxpayer.
- 11.4 The case load has increased since 2023 seeing an increase to the CTS expenditure.
- 11.5 Costs of the scheme, i.e. council tax income not collected through the provision of support/discounts, fall to the major preceptors in their respective shares, for example County (75%), Police (14%), Town and Parish councils (3%) and district (8%).

11.6 The implications of changing the existing CTS scheme could include: - the cost of IT, resources, implement and convert cases, consultation, collection. However, the proposed scheme would incur negligible cost or resource.

11.7 The protection of individuals and groups will need to be considered when approving a new scheme.

12.0 - COUNCIL TAX SUPPORT SCHEME TIMETABLE & KEY DATES

12.1 The timetable for the consultation process is shown below.

Council Tax Support Scheme Timetable	Date(s)
Report - Full Council	19th February 2025
Report - Cabinet	6th January 2025
CTS Working Party meeting - feedback on consultation	Week Commencing 2nd December 2024 - TBC
Public Online Consultation	8th October 2024 - 17th November 2024
CTS Working Party meeting - proposed & agree Scheme for 2025/26	8th October 2024