

**Council Tax Support Scheme: Final scheme for working age people for 2025/26**

**Executive Summary**

We operate a scheme which reduces the council tax bills of eligible working age people on low incomes known as the Council Tax Support (CTS) scheme. We are free to decide the rules for our own CTS schemes for working age people in our area, taking into account certain government requirements. There are national regulations for a CTS Scheme for customers who have reached pension age. This report only refers to our CTS Scheme for working age people.

Our CTS Scheme is reviewed annually, and the rules can only be amended from the start of a financial year. 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.

Services have been asked to consider where savings could be realised from elements of service delivery, and a review of the CTS scheme presents an opportunity. A working party was formed to review proposals to the CTS scheme for 2025/26.

The working party agreed to go to public consultation against the proposed changes. The public consultation ran from 24<sup>th</sup> October 2024 to 24<sup>th</sup> November 2024. A total of 96 responses were received and the results are summarised at Appendix D.

No further changes are proposed to the draft scheme following the consultation.

**Options considered**

The working party were presented with the proposed changes to the CTS scheme.

The draft scheme is mainly a continuation of the 2024/2025 CTS scheme for working age people. The changes we have proposed align the scheme with Universal Credit, to simplify the process of claiming, and to bring efficiencies in the administration of these CTS claims.

A summary of the scheme rules is included in the report to the working party and is included at D.

The CTS Scheme rules will also continue to reflect any relevant welfare benefit changes made to the working age Housing Benefit scheme or Pension Age CTS scheme.

**Consultation(s)**

The CTS regulations state we must consult our major preceptors then draft a CTS Scheme to go to public consultation.

Norfolk County Council (NCC) and Norfolk's Police and Crime Commissioner (PCC) were consulted. NCC have confirmed they agree with the proposed changes. We did not receive a response from the PCC.

	<p>The public consultation ran for four weeks from 24<sup>th</sup> October 2024 to 24<sup>th</sup> November 2024. A total of 96 surveys were completed, an increase of 80% compared to the consultation run in 2021.</p> <p>The full results of the survey, including all the comments, are included in the CTS Consultation Evaluation which is shown at Appendix E. This report should be read in conjunction with the evaluation.</p> <p>The responses show most people agreed with the proposed changes.</p>
<b>Recommendations</b>	Cabinet is asked to note the consultation responses and to recommend to Council that the draft CTS scheme for 2025/2026 is implemented as the final working age CTS Scheme for 2025/2026. This must be agreed by full Council by 19 <sup>th</sup> February 2025 as part of the budget setting process to start on 1 April 2025.
<b>Reasons for recommendations</b>	To ensure a CTS scheme for working age people for 2025/26 is agreed by full Council by 19 <sup>th</sup> February 2025.
<b>Background papers</b>	<p>Council Tax Support Scheme 2024/25</p> <p>Working Party Proposals – 1<sup>st</sup> October 2024</p> <p>Working Party Public Consultation Evaluation – 5<sup>th</sup> December 2024</p> <p>Public Consultation Questionnaire</p> <p>Public Consultation Explanatory Notes</p>

<b>Wards affected</b>	All
<b>Cabinet member(s)</b>	<p>Portfolio Holder - Wendy Fredericks</p> <p>Working Party – Cllr Tim Adams, Cllr Jill Boyle, Cllr Peter Netherway, Cllr Peter Fisher, Cllr Victoria Holliday</p>
<b>Contact Officer</b>	Trudi Grant, Benefits Manager

<b>Links to key documents:</b>	
Corporate Plan:	The CTS Schemes supports the Corporate Priority to Support our Communities.
Medium Term Financial Strategy (MTFS)	<p>CTS is treated as a council tax discount and the financial impact is shown as Band D equivalent properties as part of our annual taxbase calculation. This forms part of the council tax and budget setting process for 2025/2026.</p> <p>The proposed changes forecast an increase to the number of Band D equivalent properties.</p>
Council Policies & Strategies	Council Tax Support Scheme

<b>Corporate Governance:</b>	
Is this a key decision	Yes
Has the public interest test been applied	

Details of any previous decision(s) on this matter	5 <sup>th</sup> December 2024 – Agreement from the CTS Working Party to recommend the proposed changes are moved forward to cabinet.
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## 1. Purpose of the report

- 1.1 We operate a scheme to help households on low incomes with the cost of their council tax by reducing their council tax bill. This is known as the Council Tax Support (CTS) scheme. There are national regulations for a CTS Scheme for customers who have reached pension age, but we are free to decide the rules for our own CTS schemes for working age people in our area, taking into account certain government requirements.
- 1.2 This report outlines the steps we are taking to finalise our working age CTS Scheme for 2025/26. The final CTS scheme for 2025/26 must now be agreed by 19<sup>th</sup> February 2025 ready for implementation on 1 April 2025.

## 2. Introduction & Background

- 2.1 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.
- 2.2 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.
- 2.3 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.
- 2.4 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.
- 2.5 The above criteria were used to develop the North Norfolk scheme for 2013/14, and the main scheme principles have remained unchanged since then.

- 2.6 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.
- 2.7 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.
- 2.8 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 was recommended that the Working Party consider making changes to the current scheme to reduce the levels of expenditure going forward.
- 2.9 The proposed changes to the current scheme present an opportunity to maximise system automation through alignment with Universal Credit which will realise savings to the council.

### **3. Proposals and Options**

- 3.1 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%.
- 3.2 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.
- 3.3 The current 2024/25 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. The key points of our current CTS Scheme are shown in the Working Party CTS Proposals included at Appendix A.
- 3.4 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.
- 3.5 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.
- 3.6 In all other areas the CTS scheme rules will follow the rules for working age Housing Benefit claims.

#### **The proposed Council Tax Support Scheme - 2025/26**

- 3.7 A Council Tax Support Working Party has been formed to review the proposed CTS scheme for 2025. The Working Party were presented with several options which were discussed but not all were formally presented as they would not have been

acceptable to the Council and major preceptors. The following two options were formally presented.

- 3.8 **Option 1 - 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.
- 3.9 **Option 2 - 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: -
- 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.
  - 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.
  - 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.
- 3.10 The working party recommended Option 2 as their preferred choice with all permutations and selected this as the option to go to public consultation. Full details of the options are in the original report to the working party which can be seen at Appendix A.

#### **4. Corporate Priorities**

- 4.1 The CTS scheme supports the Corporate Plan Objectives – Financial Sustainability, and Growth and Quality of life.

#### **5. Financial and Resource Implications**

- 5.1 CTS is treated as a council tax discount and the financial impact is shown as Band D equivalent properties as part of our annual taxbase calculation. This forms part of the council tax and budget setting process for 2025/2026.
- 5.2 The proposed changes forecast a decrease to the cost of the scheme and subsequently an increase to the number of Band D equivalent properties in the Council Tax base.
- 5.3 The proposed changes to the scheme would incur negligible cost or resource.

## Comments from the S151 Officer:

*The S151 Officer (or member of the Finance team on their behalf) will complete this section.*

## 6. Legal Implications

- 6.1 The regulations require us to agree a CTS Scheme for the 2025/26 financial year by 11 March 2025, although in practice it must be agreed by 19<sup>th</sup> February 2025 as it forms part of the council's taxbase and budget setting process.

## Comments from the Monitoring Officer

*The Monitoring Officer (or member of the Legal team on behalf of the MO) will complete this section. They will outline any legal advice provided.*

## 7. Risks

- 7.1 Failure to agree a CTS Scheme by 19<sup>th</sup> February 2025 means that we are unable to set our council taxbase and budget for 2025/2026.
- 7.2 The budget impact of the CTS scheme is based upon the household numbers described above which form the basis of the Financial Plan. The impact will be affected by the changing circumstances and demographic of our taxpayers; for example, household welfare, age mix and additional households entering our tax base.
- 7.3 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 wage and benefit increases. 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), from government and from other organisations.
- 7.4 In the current economic climate, the changes to the scheme will provide flexibility in our financial structure to withstand any future increases to the CTS caseload.
- 7.5 If the CTS caseload falls or the cost of the scheme falls our taxbase and council tax income will increase, creating a surplus on the Collection Fund.
- 7.6 The impact of the CTS scheme is, and will continue to be, operationally reviewed monthly.

## 8. Net Zero Target

- 8.1. The scheme does not impose any implications to the council's net zero targets.

## **9. Equality, Diversity & Inclusion**

- 9.1 The Equality Impact Assessment form is included in the Working Party proposals shown at Appendix E. The CTS scheme continues to have positive equality impacts as it maintains support for low income households, whilst protecting those with relevant protected characteristics. It also continues to provide help to residents not in vulnerable groups or covered by equality considerations.

## **10. Community Safety issues**

- 10.1 None

## **11. Conclusion and Recommendations**

- 11.1 This report is given as a summary of the proposals of the changes to the Council Tax Support scheme for 2025/26 along with the public consultation response.
- 11.2 The scheme for 2025/26 must be agreed by full Council by the operational deadline of 19<sup>th</sup> February 2025.