

Meeting: Cabinet/Council Meeting

Date: 26 November 2024/05 December 2024

Wards affected: All

Report Title: Review of Council Tax Support Scheme 2025/26

When does the decision need to be implemented? 01 April 2025

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1 Purpose of Report

- 1.1 Council Tax Support is a discount that reduces the amount of Council Tax to pay for households that have a low income.
- 1.2 This report provides members with an overview of the current Council Tax Support scheme and the proposed changes for the financial year 2025/26.
- 1.3 The Local Government Finance Act 2012 requires that the Council Tax Support scheme is reviewed annually and where a council proposes changes to its scheme it must consult on the changes.
- 1.4 The Council must approve the scheme for the financial year 2025/26, before 11 March 2025.

2 Reason for Proposal

- 2.1 To consider the consultation responses and the equality impact assessment for the following:
 - Increasing the level of support for self-employed households, that are not receiving Universal Credit and have a disability, or caring responsibility that will take effect from 1 April 2025.
 - Discounting certain payments or settlements made by the UK Government from 1 April 2025.
- 2.2 To consider increasing the income bands that are used to determine the amount of Council Tax Support that will take effect from 1 April 2025.

3 Recommendations

- 3.1 That the Council be recommended to amend the Council Tax Support Scheme for 2025/26 as follows:

1. The self-employed minimum income floor calculation for households that are not receiving Universal Credit and have a disability, or caring responsibility is removed and is based on the actual income received (see paragraph 6.1).
2. Discounting any compensation payments made by the Post Office in connection with the failings of the Horizon system (see paragraph 6.1).
3. Discounting any additional settlement payments resulting from the ongoing Grenfell Tower related civil litigation (see paragraph 6.1).
4. Discounting any payments for the Vaccine Damage Payment Scheme (see paragraph 6.1).
5. Discounting payments for Victims of Terrorist Attacks Abroad (see paragraph 6.1).
6. The income band with the highest level of discount is increased by the September 2024 Consumer Price Index rate, at 1.7% (see paragraph 6.2).

That subject to 3.1 the Cabinet:

- 3.2 Notes that the amendments in 3.1 above will affect all working age households in Torbay that will receive a Council Tax Reduction from 1 April 2025.

Pension Age households will not be affected as they are part of the national scheme, set by the Government.

- 3.3 Notes that the Exceptional Hardship Fund will continue at £100,000 (see paragraph 6.3).
- 3.4 Gives delegated authority to the Director of Finance, in consultation with the Cabinet Member for Housing and Finance, to make any further adjustments required to the Exceptional Hardship Policy and Fund and the Vulnerable policy.
- 3.5 Notes when deciding claims for Council Tax Support and Housing Benefit, the Social Security Administration Act 1992 section 134(8)(b) and 139(6)(b) provides Local Authorities with the discretion to increase the amount of war pension it disregards. Local Authorities can introduce a local scheme to fully disregard War Widow's/Widower's Pension or War Disablement Pension remaining after the mandatory disregards have been applied.

Torbay has fully disregarded this type of income and military compensation payments for many years and for that reason would like to remind members of this arrangement when considering the renewal of the 2025/26 Council Tax Support scheme.

It also provides clarity that members will continue to support this arrangement, should it be required for the annual Housing Benefit audit certification process.

Appendices

Appendix 1 Council Tax Support Consultation Report

Appendix 2 Equality Impact Assessment

4. Introduction

- 4.1 In March 2012, the Welfare Reform Bill received Royal Assent and contained provisions for the abolition of Council Tax Benefit. In October 2012, the Local Government Finance Act became law and included the framework for localised Council Tax Reduction schemes which is known as the Council Tax Support scheme.
- 4.2 Statutorily, Local Authorities were required to develop and adopt a Localised Council Tax Support scheme by 31 January 2013 with implementation on 1 April 2013. To an extent, Councils had been given autonomy to develop schemes that met the needs of their local area but were also prescribed a framework, where pensioners are protected. However, Local Authorities would only receive 90% of the funding received in the previous year (2012/13). It was up to Local Authorities to decide whether to absorb the ten per cent cut in funding or pass this onto Council Tax Support recipients.
- 4.3 To enable this activity to be taken forward, the Government provided Local Authorities with a statutory framework that included the following:
- Local Authorities must have their new schemes agreed by 31st January 2013.
 - Financial help with Council Tax will now be seen as a discount and not a benefit.
 - There will be no change to the amount of help pension age claimants receive.
 - Councils can decide the rules for their new schemes within a prescribed framework, however, must consider the impact on the most vulnerable.
 - Guidance was given to encourage local authorities to ensure local schemes do not act as a disincentive to working.
- 4.4 The Government required that all pensioners are protected under the new scheme with the reduction in funding not applying to them. Working age households would therefore bear the full reduction in grant to cover future Council Tax Support scheme expenditure.

5. Background

- 5.1 Prior to April 2013 the national Council Tax Benefit scheme was available to taxpayers on low incomes to assist them with their Council Tax liability. This scheme had been in operation since 1993 and was administered by Local Authorities on behalf of the Department for Work and Pensions.
- 5.2 Under the national scheme Council Tax payers could receive up to 100% of their Council Tax liability. The Council then received full funding from the Government for all claims that were correctly awarded.
- 5.3 Following changes introduced by the Local Government Finance Act 2012, local authorities had to devise their own local schemes for low income households to take effect from 1 April 2013. At that time the Government also reduced the amount of funding by 10%.
- 5.4 When devising the new scheme, a detailed analysis of over 35 different financial profiles was undertaken, taking into account the demographic profile of the households receiving Council Tax Benefit at that time. The evaluation process was based upon the principles of fairness and ease of administration.

- 5.5 The scheme was approved by members at Full Council in December 2012 and introduced in the following April 2013.
- 5.6 Further changes to the scheme were agreed by members in December 2016 and introduced over the following two financial years, in 2017/18 and 2018/19. These changes were made to make the scheme more affordable and to align with Housing Benefit and Universal Credit legislation.
- 5.7 Between financial years 2019/20 and 2023/24 minor changes were made to the scheme so that it continued to be aligned with Housing Benefit Regulations and Universal Credit legislation.
- 5.8 From 1 April 2024, an income banded scheme replaced the means tested scheme.

5.9 Current Income Banded Scheme

- 5.10 The introduction of Universal Credit brought a number of challenges to the administration of the means tested Council Tax Support scheme and the collection of Council Tax.
- 5.11 For each change in entitlement to Universal Credit the amount of Council Tax Support had to be recalculated, which resulted in a revised bill and payment instalments. This made budgeting to pay Council Tax far more difficult for households with a low income, as the amount to pay constantly changed.
- 5.12 This led to the development of the current income banded scheme, as it's less reactive to change. To achieve this the income bands have been set sufficiently wide to avoid constant changes in the amount of Council Tax Support awarded.
- 5.13 The current scheme also makes the application process easier for the customer, simpler for staff to administer and similar to other Council Tax discount schemes.
- 5.14 The income banded scheme consists of a simple income grid model, where the household composition and net income applies a percentage reduction to the Council Tax liability. To allow for variation the band amount increases where the applicant has a partner and/or dependent children. This effectively replaces Personal Allowances and Premiums used for calculating the previous means tested scheme.
- 5.15 Other significant changes that were introduced with the current scheme are listed below:
- The highest level of discount was raised from 70% to 75%.
 - The number of hours used to calculate the self-employed minimum income floor for lone parents was lowered from 35 to 25 hours.
 - A new income disregard for households receiving Carer's Allowance.
 - A new income disregard for support related and work-related activity components for Employment and Support Allowance.
 - A new income disregard of £75 per week where the applicant, partner or dependant receives a disability payment.

6. Proposed Scheme Changes

6.1 The five proposed changes to the current working age scheme that were consulted on are outlined below.

1. Currently, if the applicant or partner is not receiving Universal Credit and is self-employed, after twelve months trading a minimum level of income (minimum income floor) is calculated and applied if the actual income is below the national minimum hourly wage.

For single people, couples, and couples with children the calculation is based on a standard 35 hour week multiplied by the hourly national minimum wage for the appropriate age group.

For lone parents the calculation is based on a standard 25 hour week multiplied by the hourly national minimum wage for the appropriate age group.

To support those households that have a disability* or caring responsibilities** we are proposing to use the actual amount of self-employed income.

**in the work group or support group of Employment and Support Allowance.*

***caring for a severely disabled person.*

2. Compensation and support payments made by the Post Office in connection with the failings of the Horizon system are disregarded when calculating Council Tax Support for working age households.

This proposal will align the working age scheme to the change already made by Central Government to the pension age Council Tax Support scheme.

3. Additional settlement payments resulting from the ongoing Grenfell Tower related civil litigation are disregarded when calculating Council Tax Support for working age households.

This proposal will align the working age scheme to the change already made by Central Government to the pension age Council Tax Support scheme.

4. Compensation payments for the Vaccine Damage Payment Scheme are disregarded when calculating Council Tax Support for working age households.

This proposal will align the working age scheme to the change already made by Central Government to the pension age Council Tax Support scheme.

5. Compensation payments for Victims of terrorist attacks abroad are disregarded when calculating Council Tax Support for working age households.

This proposal will align the working age scheme to the change already made by Central Government to the pension age Council Tax Support scheme.

6.2 The income band with the highest level of discount is increased by September's (2024) Consumer Price Index rate, at 1.7%, which is the same rate as working age benefits will increase from 1 April 2025 - this increase will be rounded up to the nearest pound.

Subsequent income bands will be adjusted and continue to be incremented by the current set amounts, £30 for single person households and £40 for all other household types.

The revised income bands to be used for all working age households are shown below.

| Proposed Income Bands from 1 April 2025 for Working Age Households | | | | | | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Level of Discount | Single | Couple | Single and 1 Child | Single 2+ Children | Couple and 1 Child | Couple 2+ Children |
| 75% | In receipt of a passported benefit | In receipt of a passported benefit | In receipt of a passported benefit | In receipt of a passported benefit | In receipt of a passported benefit | In receipt of a passported benefit |
| 75% | £0 to £104.00 | £0 to £152.00 | £0 to £179.00 | £0 to £261.00 | £0 to £234.00 | £0 to £316.00 |
| 55% | £104.01 to £134.00 | £152.01 to £192.00 | £179.01 to £219.00 | £261.01 to £301.00 | £234.01 to £274.00 | £316.01 to £356.00 |
| 40% | £134.01 to £164.00 | £192.01 to £232.00 | £219.01 to £259.00 | £301.01 to £341.00 | £274.01 to £314.00 | £356.01 to £396.00 |
| 20% | £164.01 to £194.00 | £232.01 to £272.00 | £259.01 to £299.00 | £341.01 to £381.00 | £314.01 to £354.00 | £396.01 to £436.00 |
| 0% | £194.01+ | £272.01+ | £299.01+ | £381.01+ | £354.01+ | £436.01+ |

If the income bands remain unchanged some working age households would move into a higher income band, resulting in less discount and having to pay more Council Tax.

6.3 The Exceptional Hardship fund was introduced from 1 April 2013, to provide financial assistance to working age households with their Council Tax. The fund is available to Council Tax payers receiving Council Tax Support who experiencing significant financial hardship and the level of support does not meet their full Council Tax liability.

The fund has financial limitations and, as such, awards can only be made based on eligibility, whilst having regard to the level of funding available or remaining within the Exceptional Hardship Scheme each financial year.

It should be noted that this fund was increased from £80,000 to £100,000 from 1 April 2024 to mitigate the impact of the new income banded scheme for those households that were most adversely affected. To ensure that the correct level of funding is maintained monitoring arrangements are in place to review the fund position.

7. Options Under Consideration

- 7.1 To approve the proposed scheme changes.
- 7.2 Leaving the current scheme unchanged will result in either a lower level of discount or not eligible to Council Tax Support for the households affected by these proposals.

8. Financial Opportunities and Implications

- 8.1 The proposed changes to the scheme are not expected to increase the scheme's cost.
- 8.2 The bandings in the income band scheme are being uprated in line with working age benefits, and so this change should ensure current recipients of support stay in the same band as their income increases.

9. Legal Implications

- 9.1 Schedule 1A(3) of the Local Government Finance Act 1992, states:

Before making a scheme, the authority must:

- a) consult any major precepting authority which has power to issue a precept to it,
- b) publish a draft scheme in such manner as it thinks fit, and
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

- 9.2 In addition to the above, to set a new scheme the Council is required to make a resolution by 11th March of the year prior to the scheme coming into place.

10. Engagement and Consultation

- 10.1 Before final approval of the scheme, Councils are required to consult with:

- Major Precepting Authorities (Police and Fire Authorities)
- The public
- Relevant stakeholder groups - e.g. CAB, representative groups.

The consultation process commenced on 10 October 2024. A four-week response period was adopted to ensure responses could be considered before these final recommendations

- 10.2 The consultation report for the proposed changes is attached at Appendix 1.

11. Procurement Implications

- 11.1 The proposed scheme changes will require some minor changes to the on-line application form software that will incur a nominal charge from our current software supplier.

12. Protecting our Bay and Tackling Climate Change

- 12.1 There are no additional environmental implications with the current Council Tax Support scheme. Electronic applications will continue to be promoted reducing the need for paper forms. It also removes the need to travel to either post or deliver the application to a designated office.

13. Associated Risks

- 13.1 A more challenging financial environment with greater uncertainty than in previous financial years could result in an increase in the number of working age households receiving a discount.
- 13.2 Should the caseload increase, the Council, along with the other preceptors, bears the risk of the additional cost of the scheme.

14. Equality Impact Assessment

- 14.1 The proposed changes in this report do not have any new equality impacts attached to them. A full assessment of the current income banded scheme was undertaken November 2023 and appended to the report that was considered by Council on 7 December 2023.
- 14.2 An Equalities Impact Assessment for the proposed changes is attached at Appendix 2.

15. Cumulative Council Impact

- 15.1 None

16. Cumulative Community Impacts

- 16.1 None