

Meeting: CABINET

Agenda Item:

Portfolio Area: **RESOURCES AND TRANSFORMATION**



Date:

TITLE OF REPORT: COUNCIL TAX SUPPORT SCHEME

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1 PURPOSE

- 1.1 To consider the latest available information around the current local Stevenage Council Tax Support (CTS) scheme for 2025/26.
- 1.2 To consider A timeline for reviewing and revising the 2026/27 CTS scheme, subject to consultation and Member approval.

2 RECOMMENDATIONS

- 2.1 That Cabinet approve retaining the current Council Tax Support scheme for 2025/26.
- 2.2 That a policy Overview and Scrutiny meeting is held to consider a revised discount scheme as a result of the number of Housing Benefit caseload transitioning to Universal Credit in line with the timetable set out in Para 4.5.1.
- 2.3 That the Cabinet re-approved to use the directive contained in the Social Security Administration Act 1992 to disregard, in full, awards of War Widows, War Disablement and Armed Forces Compensation when determining entitlement for housing benefit and/or council tax support.
- 2.4 That the Cabinet approve the £33,250 for inclusion in the General Fund budget as set out in paragraph 4.3.2.

3 BACKGROUND

- 3.1 The Government made provision within the Local Government Finance Bill to replace the former national Council Tax Benefit (CTB) scheme from 1 April 2013 with localised schemes for Council Tax Reduction Schemes (CTS) devised by individual local authorities (LA's). The schemes are valid for one year and must be approved by Council before the 11 March immediately preceding the financial year in which it is to take effect.
- 3.2 The Government require that major preceptors (County and Police) are consulted each year, and if there is any change to the scheme a full consultation open to all taxpayers in the district is required. There is no specific timescale prescribed but the period must allow for meaningful consultation.
- 3.3 Additionally, consideration must be given to providing transitional protection where the support is to be reduced or removed. The financial impact of any decision on Council Tax Support also needs to be included when setting the budget and Council tax levels.
- 3.4 Since the introduction of CTS in April 2013 a number of changes to the scheme have been explored, but the scheme has remained unchanged.
- 3.5 The cost of the CTS scheme is included in the council tax base, in the same way as other discounts which reduce the collectable debit and reduce the amount collectable.
- 3.6 The history of the Council Tax support scheme is detailed in Appendix A and other options considered but not recommended to amend the scheme can be found in the CTS report to the 23 September 2024 Executive.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Current Scheme

4.1.1 The CTS scheme for 2024/245 can be summarised as follows:

- That the CTS scheme for all working age claimants will be based on 91.5% of their Council tax liability.
- Elderly CTS claimants are protected in law from any restriction to the liability used in CTS calculations. Their awards will always be based on 100% of the council tax charge.
- All local discretions currently in place continue e.g. war pension disregards.
- Other aspects of the Council Tax Support scheme mirror the previous Council Tax Benefit scheme.

4.1.2 The current CTS scheme works and protects the most vulnerable customers by the use of applicable amounts and income disregards. However, the challenges and opportunities introduced by Universal Credit (UC) prompt a review of the structure of the scheme as set out in section 4.2.

4.2 **The impact, challenges, and opportunities of Universal Credit.**

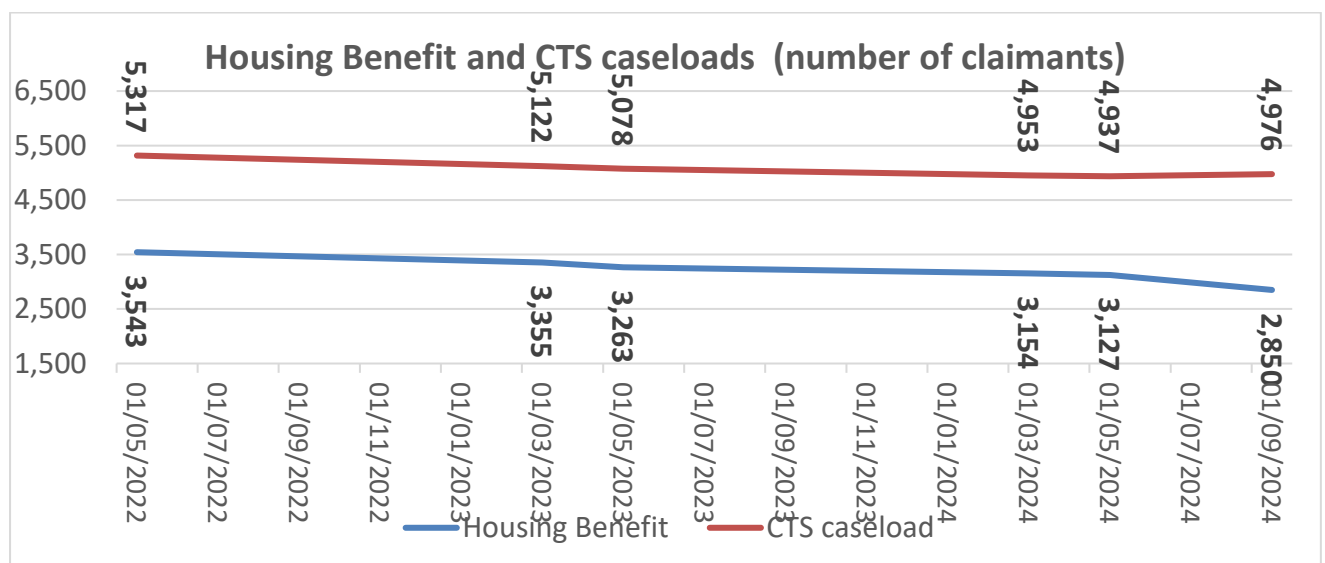
4.2.1 Universal credit full service roll out took effect in this area in October 2018. However, despite the slow nature of the migration to date, there are certain groups of HB claimant that will not, in the foreseeable future migrate to UC, as they are deemed too complex by the government.

4.2.2 Notifications from the Department of Work and Pensions regarding the transition of certain HB client groups from April 2024 caseload moving to UC anticipated a 50% reduction in year. The number of HB recipients of working age currently stands at 1,208 which represents a reduction of around 23% when compared to the start of the financial year, which is currently below expected migration.

4.2.3 The cases that have migrated are HB recipients who were receiving Tax Credits or other legacy benefits such as Employment & Support Allowance (ESA). In addition, there have also been some cases of HB based on income from employment.

4.2.4 Ultimately the Council will be left with the HB cases for supported and temporary accommodation for working age people which is steadily increasing, plus the elderly caseload.

4.2.5 The overall HB caseload has reduced by 9.64% since 31 March 2024, with 2,850 claimants as at 1 September 2024 of which 71% or 2,017 are council tenants.



4.2.6 Customers claiming UC who apply for CTS do not require the Council to carry out means testing on their circumstances. They need only provide their UC entitlement letters, (details of which can be confirmed through LA's access to

the DWP systems). These claims are already means tested and have differential applicable amounts applied by the DWP and the only income element that is needed for an award of CTS is earnings. Consideration has to be taken of any deductions being made for overpayments or recovery of advances, but essentially this means that if most claimants are already assessed, there could be a simplified assessment and processing system that could be incorporated into a discount/banded scheme.

- 4.2.7 The reduction in new claims for HB might seem to reduce the shared service workload, however as the current CTS scheme for pensioners and non-UC claimants requires the same preparation and processing to award a CTS claim as a HB one, no substantial savings have been realised. Currently claims or changes in circumstances are prepared and input and both awards (HB & CTS) are processed simultaneously. Claims not requiring an HB assessment simply produce one output (CTS award) rather than two. In the last two years the service has reduced by 4.55 FTE staff (including proposed for 2025/26).
- 4.2.8 The Council has taken steps to simplify the claims process wherever possible for CTS claims as residents are often confused about their possible entitlement to CTS and the process of claiming CTS. Often the Council only gets to engage with customers when their Council tax account is in arrears, and additional recovery action has to be taken. The Council is using all powers available to engage with residents quicker. The Strategic Director - Chief Finance officer and Head of the Shared Service have been promoting the scheme through various media to ensure that those entitled take up the support.
- 4.2.9 Members should note that Universal Credit is reassessed monthly (unlike HB), and those customers who are working (nationally this is estimated at more than 40%) are likely to experience variations in the UC entitlement each month. This is attributed to salary and wages frequencies affecting the 'monthly' assessments. Each time there is a change in the UC award, their entitlement to CTS has to be reassessed. Every time the CTS is reassessed, it produces a new council tax bill. These constant changes in bills and amounts due are not only confusing to the customer trying to budget, but it also resets any recovery action being taken for non-payment on the previous assessment and making collection of arrears very difficult.

4.3 The Advantages of a Banded Scheme

- 4.3.1 A banded scheme could mean for many that for income changes within a range or band there would not result in a change in entitlement, within the scope of a set range. This would then mean that fewer recalculations would be necessary for recipients of CTS which would ensure incidences where re-billing would be necessary would reduce. This will ensure that instalment plans applicable to accounts would not need to be changed as often which would assist in the recovery of the charge.
- 4.3.2 Moving to a banded scheme has the potential to be expensive. The Council will be asking the other preceptors to pay a proportion of the total cost pro-

rata to their share of council tax. Any changes to the scheme require full and meaningful consultation with all taxpayers in the district and there are costs associated with this level of consultation. A summary of the costs is shown in the table below.

Cost Type	SBC £	EHDC £	Total £
Consultancy & Report	£8,500	£8,500	£17,000
Software Modelling	£2,500	£2,500	£5,000
Advertising	£750	£750	£1,500
Postage and mailing costs	£5,000	£8,500	£13,500
Analysis of results	£15,000	£15,000	£30,000
Contingency for further modelling costs	£1,500	£1,500	£3,000
Total	£33,250	£36,750	£70,000

4.3.3 The CFO recommends that the £33,250 is included in the General Fund budget with a view to recover a pro-rata share from the relevant preceptors.

4.4 Response to the challenges and opportunities of UC.

4.4.1 Work has previously been carried out to develop a banded scheme for all working age claimants. This included modelling of current claimants into a banded scheme, to assess the impact and identify any unintended consequences.

4.4.2 As it is not currently possible to have a separate scheme for just UC cases, all current working age claimants would have to be included. After testing the data in 2019 it was clear that the intended simplicity of a banded scheme would be compromised as the need to differentiate between all the many and varied disability premiums and incomes would require too many bands for each category of household, to ensure sufficient protection for these non-UC groups. The 2024/25 CTS report recommended that once actual caseload migration is timetabled, consideration of a banded scheme or a discount scheme should be revisited.

4.4.3 Since 2024 a significant number of the HB caseload have transitioned to UC and the CFO considers that in addition there would be all the costs of changing the scheme but no savings in administration, or increased simplicity for the customer.

4.5 Timetable for Implementing a Banded Scheme

4.5.1 The Shared Service are currently scoping out the work to potentially propose a different scheme for 2026/27 based on banding to mitigate the issues outlined above. This requires significant analysis to determine the

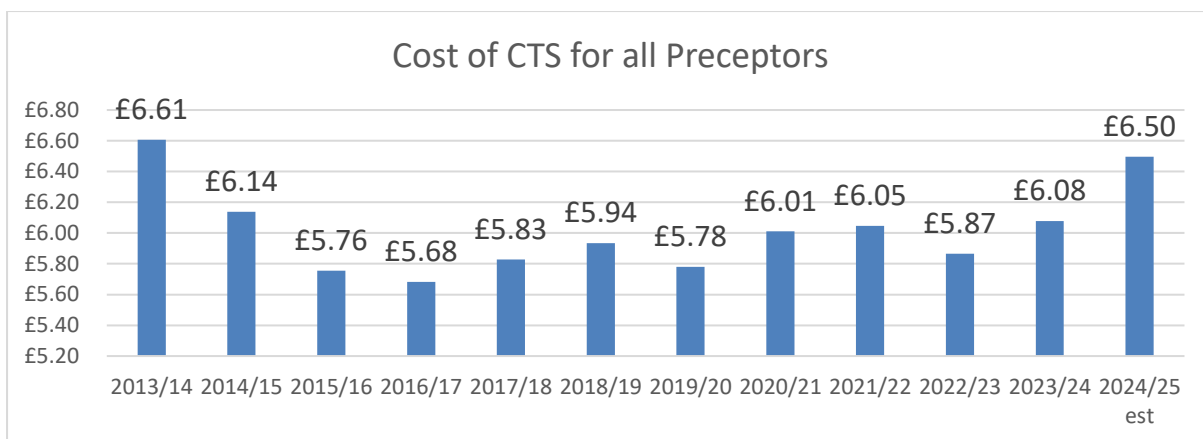
implications for the current caseload to ensure there are no unintended consequences implement a scheme, but also that the scheme is affordable. The timetable for consideration is set out below: -

	<i>SBC – all dates are approximate and dependent on the Civic calendar</i>
<i>Modelling of scheme changes starts</i>	<i>18/11/2024</i>
<i>Modelling data to consultant</i>	<i>31/01/2025</i>
<i>Modelling of scheme changes complete (Overall cost, winners and losers, EQIA evidence)</i>	<i>09/04/2025</i>
<i>Scheme documentation draft complete</i>	<i>09/04/2025</i>
<i>Overview and Scrutiny (sitting as a Policy Committee)</i>	<i>June</i>
<i>Report to Cabinet for approval to consult</i>	<i>June</i>
<i>Overview & Scrutiny</i>	<i>June</i>
<i>Public Consultation starts</i>	<i>July</i>
<i>Public Consultation ends</i>	<i>End of September</i>
<i>Overview and Scrutiny (sitting as a Policy Committee)</i>	<i>November</i>
<i>Cabinet and Overview & Scrutiny</i>	<i>December</i>
<i>Council Approval</i>	<i>January</i>

4. 5.2 The timeline for constructing a new scheme and the ensuring the consultation is completed and reviewed and requires 250 days this means there is not enough time to implement the scheme for 2025/26.

4.6 Cost Of the CTS Scheme.

4.6.1 The cost of the CTS scheme has fluctuated as the caseload has reduced since inception in 2013/14, however, although the caseload has been reducing in recent years the level of council tax increases has been higher due the increases for adult social care and the Police and Crime Commissioner, (PCC), Stevenage Borough Council pays circa 11% of the total cost.



4.7 Other Hertfordshire Schemes

4.7.1 The table below summarises other Hertfordshire CTS schemes (at the time of writing the report).

	Current scheme for maximum entitlement
North Herts	100% if income is below maximum bands. Bands are 10%, 75% 45% 25% and 0%. £50 disregard on earnings and £50 disregard on any disability benefit per household. Limited to 3 children. Carers allowance and ESA support component disregarded. Removed 2AR applications as no longer have a non dep deduction.
Dacorum	75%, and also restricted to band D (i.e. max is 75% of band D) however, 100% (with no band restriction) if customer is in a vulnerable group: child under 5; disabled; war pensioner; or disabled child
Welwyn Hatfield	75%
Broxbourne	75% Liability, 25% income taper, Band E restriction
Hertsmere	80% plus restrict to band D so it can be 80% of band D
St Albans	100%
Three Rivers	100%
Watford	100%
East Herts	91.5% - same scheme as Stevenage

4.8 Overview and Scrutiny Consultation

4.8.1 Overview and Scrutiny Committee will be consulted as part of the process for reviewing the 2026/27 CTS scheme, this will include the modelling of the

scheme and the impact before any consultation with the public and their views will be included in any recommendation to the Cabinet.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 As detailed in the report.

5.2 Legal Implications

5.2.1 As detailed in the report

5.3 Equalities and Diversity Implications

5.3.1 An Equality Impact Assessment will be undertaken if there are proposals to amend the Council Tax support scheme.

5.4 Risk Implications

5.4.1 As detailed in the report

5.5 Policy Implications

5.5.1 As detailed in the report

BACKGROUND PAPERS

GLOSSARY

IS	Income support
JSA (IB)	Job seekers allowance (Income based)
UC	Universal Credit
PC	Pension credit
GC	Guaranteed credit
SC	Savings credit
ESA (IR)	Employment support allowance (Income related)

Appendix A The history of Council Tax Support (CTS)

1. The history of Council Tax Support (CTS)

1.1 Before April 2013, local authorities (LA) administered Council Tax Benefit on behalf of the Government. This national scheme was specified in legislation and LA's were reimbursed by the Department of Work and Pensions (DWP) through a subsidy claim submitted annually and subject to audit.

1.3 The level of subsidy reimbursement varied dependant on whether benefit had been awarded, backdated or overpaid, but the point to note is that

entitlement and subsidy were based on assessing entitlement on 100% of somebodies Council tax liability, net of discounts (like a single person discount).

- 1.4 The scheme was means tested and whilst the scheme differentiated between different client groups (providing extra support for disabled groups for example) there was little differential between Elderly and Working Age clients.
- 1.5 Clients fell into one of two groups, “passport” and “standard claims.” A passported claim was one in which the DWP had already carried out a means test and then notified the Council that the customers income was at or below the minimum income level for their household composition. They would be automatically entitled to 100% of their Council Tax to be paid by Council Tax Benefit. A deduction would however be made from this entitlement where there were non-dependants living in the home.
- 1.6 The second group were called ‘standard claims’. These customers had their means testing done by the Council and awarded Council Tax benefit in accordance with the national scheme criteria. These customers had income above the minimum requirements and would be required to pay something towards their Council tax liability. A deduction would also be made from this entitlement where there were non-dependants living in the home.
- 1.6 In very simple terms entitlement was determined by comparing eligible incomes against relevant applicable amounts. When income equalled or fell below applicable amounts, the maximum entitlement is achieved. If income exceeded applicable amounts, entitlement was reduced by 20% of the excess. The applicable amounts were determined by the DWP in respect of Housing Benefit claims.
- 1.7 In more complex terms, every income and capital source had to be assessed in accordance with its type, and then determined if it was included in the assessment. Child benefit, maintenance paid to a child, PiP and DLA, war pensions etc were fully disregarded, whilst earned income was calculated after tax & NI, and 50% of pension contributions, averaged over the relevant period. Payments to certain childcare providers were disregarded, whilst capital (excluding the property occupied) included savings, shares etc and if the total exceeded £16k, the customer was excluded from entitlement.
- 1.8 In very general terms the full expenditure on the scheme was reimbursed by the DWP.

2 The impact of changes from 1st April 2013

- 2.1 The national scheme for Council Tax Benefit ceased, and Councils had to devise their own Council Tax Reduction Schemes for working age claimants. The Government continues to specify the scheme for Elderly

customers through prescribed regulations.

- 2.2 Instead of the scheme being funded through a subsidy claim based on actual expenditure, the Government moved the funding into the Revenue Support Grant (RSG) settlement, fixing it at only 90% of the subsidy paid in a previous year. RSG was the amount of grant that Government gave to Councils to support their wider service delivery and made up one part of the income of the Council in addition to Council Tax receipts, fees and charges and an element of Business rate collection. However, the move away from RSG makes this funding element less obvious.
- 2.3 Each Council had to consider how to fund 100% of the cost of the Elderly 'national' scheme and provide a Working age scheme, whilst receiving 10% less funding.
- 2.4 Elderly (Pensioner) claimants are protected from changes through the provision of a statutory scheme.
- 2.5 Schemes must support work incentives.
- 2.6 The DCLG Policy Statement of Intent did not give a recommended approach to be taken, but indicated the scheme should not contain features which create dis-incentives to find employment. The current Stevenage scheme complies with this statement.
- 2.7 Local authorities must ensure that appropriate consideration has been given to support for other vulnerable groups, including those which may require protection under other statutory provisions including the Child Poverty Act 2010, the Disabled Persons Act 1986 and the Equality Act 2010, amongst others.
- 2.8 The DCLG issued Policy Statements that addressed a range of issues including the following:
 - Vulnerable People and Key Local Authority Duties.
 - Taking work incentives into account.
 - Information Sharing and Powers to Tackle Fraud.
- 2.9 The Local Government Finance Bill stated that a Billing Authority must have regard to any guidance issued by the Secretary of State. The current scheme has sought to address these requirements.

3 Stevenage's Council Tax Reduction Scheme (CTS)

- 3.1 The Council initially devised a scheme which replicated the previous national scheme but limited the Council Tax liability that was used to

assess entitlement to 90% for working age customers. The Government offered a one-off transitional grant to Councils who would restrict the reduction to 91.5%, and accordingly the Council amended the proposal and took the one-off transitional grant.

- 3.2 From 2014/15 the 90% grant that was included in the RSG was no longer individually identifiable. Therefore calculating the total cost of the scheme i.e. the cost of the CTS scheme versus the CTS grant given by Government is now impossible.