

Report of:	Executive Member for Finance & Governance Director of Finance
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Submitted to:	Executive
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Date:	4 October 2023
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Title:	Local Council Tax Support 2024/25 Consultation
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Report for:	Decision
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Status:	Public
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Strategic priority:	Vulnerability
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Key decision:	Yes
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Why:	Decision(s) will have a significant impact in two or more wards
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Urgent:	No
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Why:	Not Applicable
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Executive summary

The report requests Executive approval to undertake consultation with the following:

- with Major Preceptors; (Fire Authority, Police and Crime Commissioner) and
- with the public

on the proposed changes to the Council Tax Reduction (CTR) scheme with effect from 1st April 2024 (as required by the Local Government Finance Act 1992).

The implications of the recommendations have been considered by the appropriate officers of the Council and are set out in the main body of the report.

Purpose

1. The purpose of this report is to request permission to undertake a consultation (a requirement of schedule 1A of the Local Government Finance Act 1992) with both the public and the major precepting authorities in respect of proposed changes to the Council's Council Tax Reduction (CTR) Scheme with effect from 1st April 2024. Executive approval is required to commence consultation on changes to the 2024/25 scheme ahead of the final decision being made by Council at the budget setting meeting on 28 February 2024.

Background and relevant information

2. CTR was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme that was administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government placed the duty to create a local scheme for working age claimants with Billing Authorities.
3. Middlesbrough Council, as the billing authority, has a statutory requirement to revise or make a CTR scheme by no later than 11 March each year, approved by Full Council decision.

The current scheme

4. In 2022/23 the Council moved to an income-banded scheme, away from the previous complex means-tested schemes, to simplify the claiming process, reduce the administrative burden and cost of multiple in-year changes and associated recalculation of instalments, and to support its achievement of collection rates.
5. The scheme implemented a 90% maximum discount, with lower discount bands of 72%, 36% and 23%, aligned to the level of net weekly income and makeup of each household (up to 2 dependants).
6. The current scheme remained unchanged apart from an uplift for 2023/24 to the income bandings to reflect the inflation rise applied to working age benefits, to maintain the level of support for residents due to the Cost of Living and Energy crises.

The proposed approach for the 2024/25 Council Tax Reduction Scheme

7. It is proposed that the current income-banded scheme be retained for 2024/25, with the following amendments (option 2 in the table at paragraph 15):
 - i) **Care Leavers:** Inclusion of the cost of support for Care Leavers into Collection Fund from General Fund which is a technical adjustment. The adjustment has no impact on the support provided to Care Leavers within the scheme, which remains unchanged.
 - ii) **Childcare Cost Element:** A payment to reimburse part of the eligible costs of childcare while the parent is at work. Financial support is provided for childcare costs within the Universal Credit calculation. The element is provided to offset part of the cost of childcare expenses incurred by claimants. It is proposed that this element be disregarded as income within the Council Tax Reduction scheme, supporting those households with children taking paid employment. If

approved, those in receipt Council Tax Reduction awards would be automatically increased where appropriate from 1 April 2024. Those currently not claiming Council Tax Reduction, who potentially may be entitled would need to apply.

8. Work has been undertaken throughout this year to analyse the implications of various scheme options and amendments. The second amendment recommended above will be subject to consultation with the public and the major precepting authorities. Subject to the outcome of the consultation, and consideration and approval by Council as part of the 2024/25 budget setting process, the proposed amended scheme will take effect from 1st April 2024.

What decision(s) are being recommended?

9. That Executive approves the consultation on Option 2 as required by the Local Government Finance Act 1992, with the following:

- iii) the public; and
- iv) the major precepting authorities (Fire Authority and Police and Crime Commissioner).

Rationale for the recommended decision(s)

10. The proposed changes will further assist low-income households and support the collection of council tax whilst remaining affordable for the Council to provide.
11. Any changes to the existing scheme excluding the technical adjustment referenced in this report are subject to full consultation which will run from 9 October 2023 for 4 weeks and will inform the scheme from 1 April 2024. (with exception of the care leavers).

Other potential decision(s) and why these have not been recommended

12. The full list of options considered are as follows:

OPTION	Cost	Proposed?	Reason
1. No Change	£0	No	Existing scheme counts allowances for childcare costs in Universal Credit as income, disadvantaging some taking paid employment.
2. 90% amended: <ul style="list-style-type: none"> • Care Leavers into Collection Fund with current level of support maintained; • And for those in receipt of Universal Credit, disregard as income the childcare costs element. 	£21k	Yes	Improves the support and fairness of the current scheme whilst remaining affordable for the council. NB only the childcare cost element will be subject to consultation.
3. 95% scheme	£3.15m	No	The council is unable to meet this additional cost within the current budget position.

4. 100% scheme	£4m	No	The council is unable to meet this additional cost within the current budget position.
5. 90% with band uplift	£442k	No	The council is unable to meet this additional cost within the current budget position.

13. Option 1 is to leave the existing scheme in place. This is not recommended because the existing scheme counts allowances for childcare costs in Universal Credit as income, disadvantaging some people who take paid employment.

14. Options 3 and 4 enhance or increase the scheme, eg to a 95% or 100% maximum discount scheme respectively. This is not recommended because the associated cost (c£3.15 million for a 95% scheme and c£4 million for a 100% scheme) would be substantial and ultimately present an increased cost to the General Fund budget, a pressure that is considered to be unaffordable given the Council's current strained financial situation.

15. Option 5 provides an uplift in the amount of Council Tax Reduction awarded for those in the lower discount brackets, whilst maintaining a maximum support level of 90%. The c£442k cost of this option, however, is also considered to be unaffordable in the Council's current financial situation.

Impact(s) of the recommended decision(s)

16. The Council will obtain the views of the major precepting authorities and the public on the proposed alternative scheme and will be able to take those views into account when deciding whether to adopt the scheme with effect from April 2024.

Legal

17. Paragraph 5, Schedule 1A of the Local Government Finance Act 1992 states that for each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme. The authority must make any revision to its scheme, or any replacement scheme, no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

18. Paragraph 3 applies to an authority when revising a scheme as it applies to an authority when making a scheme:

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

19. The Local Government Finance Act 2012 inserted into section 67 of the LGFA 1992 (Functions to be discharged by the Authority) making or revising a Council Tax Reduction Scheme, and Section 5 (2) of Schedule 1A requires that each billing authority in England must make a Council Tax Reduction scheme by no later than 11 March each year. Any scheme cannot be made by officers, with the above legislation confirming that authorisation of the full scheme is subject to Council approval.

Strategic priorities and risks

20. The scheme supports the delivery of the Council’s strategic priority to “address the causes of vulnerability and inequalities in Middlesbrough and safeguard and support those made vulnerable” as set out in the Strategic Plan refresh 2021-2024. It is expected that this will remain a valid priority within the development of the Council Plan as part of the 2024/25 planning process. The CTR scheme will enable residents to pay their required Council Tax instalments which, in turn, will mean that the Council has funding to work with communities and other public services in Middlesbrough to improve the lives of local people.
21. By implementing a local Council Tax Support scheme, it is ensured that there is adequate governance in place to comply with all relevant legislation and the Council does not breach governance requirements or fail to deliver organisational priorities (Risk 08-054). In addition, by reviewing the scheme annually, the Council continues to effectively review and amend the scheme to comply with legislative changes (Risk 08-055).

Human Rights, Equality and Data Protection

22. There are no disproportionate adverse impacts on any group or individuals with characteristics protected in UK equality law. The previous impact assessment carried out when the scheme was revised for 2022/23 is still relevant.

Financial

23. The current CTR scheme annual budget is £20m which is borne by the Council’s Collection Fund. Costs are shared between the Council and the major precepting authorities.
24. The proposed scheme has been costed on the current number of active claims as at July 2023. It is not possible to estimate the impact to the scheme brought about by changes to claimants’ circumstances or unforeseeable issues. The model has been costed on the current position with the budget implications of the two proposed amendments as shown below:

Proposal	Budget Implication
Inclusion of support for Care Leavers to be met by the Collection Fund not the General Fund.	Cost of the Care Leavers is £131,000 by moving this to the collection fund and sharing the cost with the precepting authorities, this will generate an estimated saving of £21,000 to the Council
Those in receipt of Universal Credit, disregard as income the childcare costs element.	An estimated cost of £50,000 to the CTR scheme – which would lead the council to pay £42,000 which is the Councils precepting share.
Total net budget implication	Cost of £21,000

25. After adjusting for the precepting authorities within the collection fund, the cost to the Council is £21,000. This would affect the 2025/26 General Fund budget as this is the next time the Council can precept on the Collection Fund, after the change has been made.
26. The Collection Fund is legally separate from the council's General Fund, and accounts for all of the income received from Council Tax and Business Rates less specific eligible costs. As a result, the actual performance of the Collection Fund in terms of actual collection compared to that planned is considered in terms of the annual surplus or deficit to the Collection Fund. The impact on the council's general fund budget is then assessed each year at budget setting. Any other revenue income is payable into the council's General Fund.
27. The impact of the CTR scheme is to reduce the overall total income to the Collection Fund by decreasing individual Council Tax bills to reflect a customer's ability to pay in accordance with the CTR scheme criteria. Normally the impact of the CTR will reduce any surplus or increase deficit on the Collection Fund overall, which would lead to a reduced share of income being available to fund the Council's General Fund Budget.
28. For Council Tax, the Council acts as the billing authority for the local area and collects income on behalf of itself, the Police and Crime Commissioner and the Fire Authority. Any financial implications of the Collection Fund would need to be shared based on their overall budget demands. At present these shares are 84%, 12% and 4% respectively. The Council can only precept once each financial year on this Fund and this is done as part of the annual budget setting process in February each year and therefore there is a time delay in feeding in the actual performance of any particular financial year into the financial planning of the next financial year. E.g., 2022/23 outturn on the Collection Fund is fed into 2024/25 General Fund budget setting.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Consultation on the Council Tax Reduction (CTR) scheme will commence with major precepting authorities; and with the public. Feedback from the consultation will influence the future shape of the scheme.	Head of Resident and Business Support	30 November 2023
A final report for adoption of the CTR scheme for 2024/25 will be progressed to full council for approval.	Head of Resident and Business Support	11 March 2024

Appendices

Appendix A – Impact Assessment Level 2: Full Impact Assessment

Background papers

None

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