

MIDDLESBROUGH COUNCIL	
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Report of:	Interim Director of Finance
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Relevant Executive Member:	Executive Member for Finance and Governance
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Submitted to:	Executive
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Date:	17 January 2024
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Title:	Council Tax Reduction Scheme 2024/25
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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:	Not applicable
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Why:	Not applicable
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Subject to call in?:	Yes
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Why:	Not Urgent
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Proposed decision(s)
That Executive endorses the Council Tax Reduction (CTR) scheme for 2024/25 and refers it to Council for approval.

Executive summary
This report sets out the proposed Council Tax Reduction (CTR) scheme (sometimes referred to as Council Tax Support) for 2024/25. Each Billing Authority in England has a statutory requirement to design and locally fund a Council Tax Reduction scheme no later than 11 March each year, which is approved by a full Council decision.

The proposed amendments are;

- I. Care Leavers; the inclusion of the cost of support for Care Leavers into the Collection Fund from the General Fund which is a technical adjustment. The adjustment has no impact on the support available to Care Leavers, which remains unchanged and means that the cost will be shared between all precepting authorities as with other reductions, discounts, and exemptions from Council Tax.
- II. Childcare cost element; it is proposed that this element be disregarded as income within the Council Tax Reduction scheme. This will increase the support to those households with children who take paid employment.

These recommendations are proposed to further assist low-income households and support the collection of council tax whilst remaining affordable for the Council. The proposed scheme had been subject to consultation between 9 October and 5 November 2023 and the response shows that 54.54% agree or strongly agree, whilst 18.18 are neutral.

As well as the proposed amendments it is also recommended that the schemes income bandings are subject to the annual inflation uplift to reflect the rate of inflation for working age benefits so that the current level of support for claimants is maintained and continues to provide appropriate support for the towns financially vulnerable residents.

It is therefore requested that the Executive endorses the proposals and refers the Council Tax Reduction (CTR) scheme for 2024/25 to Council for consideration and approval.

Purpose

1. To seek approval of the Council Tax Reduction (CTR) scheme for 2024/25.

Recommendations

2. The Executive endorses the Council Tax Reduction (CTR) scheme for 2024/25 and refers to Council for approval of the scheme to include:
 - o An inflationary uplift to the scheme’s income bandings.
 - o Includes the cost of support for Care Leavers into the Collection Fund from the General Fund;
 - o Disregard the childcare element of Universal Credit as ‘income’ within the Council Tax Reduction Scheme.

Rationale for the recommended decision(s)

3. The proposed amended scheme will further assist low-income households and support the collection of council tax whilst remaining affordable for the Council to provide.

Background and relevant information

4. 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.
5. Middlesbrough Council, as the billing authority, has a statutory requirement to revise or design and fund a CTR scheme by no later than 11 March each year which is approved by a Full Council decision.

Current Scheme

6. In 2022/23 the Council moved to an income-banded scheme, away from the previous complex means-tested schemes, to simplify the claiming process and reduce the administrative burden. The simplification of the scheme avoided the need for multiple in-year changes, thereby reducing overall costs associated with the recalculation of instalments and in turn supporting the collection of Council Tax.
7. 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).
8. The current scheme remained unchanged apart from an inflationary uplift for 2023/24 to the income bandings to reflect the inflation increase applied to working age benefits, to maintain the level of support for residents due to the Cost of Living and Energy crises.

Proposed Approach for the 2024/25 Council Tax Reduction Scheme

9. It is proposed that the current income-banded scheme be retained for 2024/25 noting the proposed amendments. It is also proposed that the scheme income bandings are increased in line with inflation.
10. On 22 November 2023, the Chancellor announced in the Autumn Statement that benefits including Universal Credit and working age benefits would increase in line with inflation at 6.7% from April 2024.
11. This increase in income from benefits due to the inflation uplift could mean a lower discount rate band applies, based on the existing CTR income ranges set, and result in a reduction in the level of support, which for some households would add in excess of £300.00 per year to their bill.
12. The CTR scheme provides for income band ranges to be increased “by the appropriate level of inflation decided by the council”. It is therefore proposed to adjust the income band ranges for 2024/25 to reflect the inflation increase applied to state benefits and thereby maintain the level of support for applicants.
13. The weekly income ranges for the current 2023/24 CTR scheme are as follows:

Discount Band	Discount	Single Person	Single person with one child	Single person with two or more children	Couple	Couple with one child	Couple with two or more children
Band 1	90%	£0 - £110.10	£110.11 - £176.16	£176.17 - £242.22	£242.23 - £154.14	£154.15 - £225.71	£225.72 - £286.26
Band 2	72%	£0 - £198.18	£198.19 - £264.24	£264.25 - £324.80	£324.81 - £264.24	£264.25 - £309.38	£309.39 - £374.34
Band 3	36%	£0 - £236.72	£236.73 - £280.76	£280.77 - £385.35	£385.36 - £319.29	£319.30 - £352.32	£352.33 - £440.40
Band 4	23%	£0 - £280.76	£280.77 - £308.28	£308.29 - £495.45	£495.46 - £374.34	£374.35 - £407.37	£407.38 - £528.48
	0%	Over £280.76	Over £308.28	Over £495.45	Over £374.34	Over £407.37	Over £528.48

14. The proposed new weekly income ranges for 2024/25 are as follows:

Discount Band	Discount	Single Person	Single person with one child	Single person with two or more children	Couple	Couple with one child	Couple with two or more children
Band 1	90%	£0 - £117.48	£0 - £187.96	£0 - £258.45	£0 - £164.47	£0 - £240.83	£0 - £305.44
Band 2	72%	£117.49 - £211.46	£187.97 - £281.94	£258.46 - £346.56	£164.48 - £281.94	£240.84 - £330.11	£305.45 - £399.42
Band 3	36%	£211.47 - £252.58	£281.95 - £299.57	£346.57 - £411.17	£281.95 - £340.68	£330.12 - £375.93	£399.43 - £469.91
Band 4	23%	£252.59 - £299.57	£299.58 - £328.93	£411.18 - £528.65	£340.69 - £399.42	£375.94 - £434.66	£469.92 - £563.89
	0%	Over £299.57	Over £328.93	Over £528.65	Over £399.42	Over £434.66	Over £563.89

15. The cost of implementing the new ranges has been modelled and estimated at c£180,000 against the current CTR scheme expenditure. Due to the variables contained within the scheme, the actual cost may alter according to prevailing individual circumstances.

16. In addition to the uplift in income bandings the following amendments are proposed for 2024/25 - (option 2 in the table at paragraph 22):

- I. **Care Leavers:** Inclusion of the cost of support for Care Leavers into the Collection Fund from the General Fund which is essentially a technical adjustment. The adjustment has no impact on the support provided to Care Leavers within the scheme, this 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. This has the effect of 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.

17. Work has been undertaken throughout this year to analyse the implications of various scheme options and amendments. The amendments recommended in paragraph 16 have been subject to consultation with the public and the major precepting authorities.

Consultation Process

18. On the 9 October 2023, the Executive approved that the proposed scheme progress to consultation. Public consultation was open from 9 October 2023 to 5 November 2023 and publicised by way of multiple social media posts and advertisement on numerous pages on the Council’s website - which provided a direct link to the consultation form. Details about the consultation were included within the Council’s resident e-newsletter.

- 19. The results suggested that the majority of respondents in general support the options presented, with 54.54% agreeing or strongly agreeing, and 18.18% neutral.
- 20. A summary of the results from the 44 completed public surveys can be found in Appendix B.
- 21. As part of the public consultation the major precepting authorities (Police and Crime Commissioner and the Fire Authority) were directly contacted and have been informed of the proposed changes.

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

22. The full list of options considered prior to consultation were as follows:

OPTION	£m	Proposed	Reason
1. No Change	0.00	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 the childcare costs element as income 	(0.021)	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	3.15	No	The council is unable to meet this additional cost within the current budget position.
4. 100% scheme	4.0	No	The council is unable to meet this additional cost within the current budget position.
5. 90% with band uplift	0.442	No	The council is unable to meet this additional cost within the current budget position.

- 23. Option 1 - to leave the existing scheme in place. This is not recommended as the existing scheme counts allowances for childcare costs in Universal Credit as income, disadvantaging some people who undertake paid employment.
- 24. Options 3 and 4 - enhance or increase the scheme to a 95% or 100% maximum discount scheme respectively. This is not recommended as the associated cost (c£3.15 million for a 95% scheme and c£4 million for a 100% scheme) is disproportionately high. The increased cost to the General Fund budget is a significant pressure that is unaffordable given the Council’s current financial position.
- 25. Option 5 provides an uplift in the amount of CTR 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)

Financial (including procurement and Social Value)

26. The current CTR scheme annual budget is £20m, which is allocated to the Council’s Collection Fund. Costs are shared between the Council and the major precepting authorities as shown below.

Major Precepting Authorities	% Cost Share	£m Cost Share
Middlesbrough Council	84%	16.8
Police & Crime Commissioner	12%	2.4
Fire	4%	0.8

27. The proposed scheme was costed on the number of active claims as of July 2023. It is not possible to estimate the impact to the scheme brought about by changes to claimants’ circumstances or unforeseeable events.

28. To uplift the schemes income bandings, it is anticipated that the total cost to the Council for its share will be c£151,000 and this will be factored into the updated Medium Term Financial Plan in February 2024.

29. The overall cost of the proposed amendments to the scheme are shown below:

Proposal	Budget Implication	£m
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 (From Consultation)	(0.021)
Those in receipt of Universal Credit to have the childcare costs element disregarded as income.	An estimated cost of £50,000 to the CTR scheme – which would lead the council to pay £42,000 which is the Council’s precepting share. (From Consultation) .	0.042
Uplifting the scheme’s income bandings	Cost is c£180,000 of which the estimated cost to the Council £151,000. (No requirement to Consult) .	0.151
Total net increase in scheme cost		0.172

30. After adjusting for the precepting authorities within the Collection Fund, the cost to the Council is £172,000. This will impact the Collection Fund in 2024/25 and General Fund budget in 2025/26 as this is the next time the Council can precept on the Collection Fund, after the change has been made.

31. The Collection Fund is legally separate from the Council’s General Fund and equates to all 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.

32. 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 resident's ability to pay in accordance with the CTR scheme criteria. Normally the impact of the CTR will reduce any overall surplus or increase deficit on the Collection Fund, which would lead to a reduced share of income being available to fund the Council's General Fund Budget.
33. For Council Tax, the Council is 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 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 the Collection 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. For example, the 2022/23 outturn on the Collection Fund is fed into 2024/25 General Fund budget setting.

Legal

34. 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.
35. Paragraph 3, of the Act, applies to an authority when revising a scheme as it applies to an authority when making a scheme:
 - I. consult any major precepting authorities which has power to issue a precept to it;
 - II. publish a draft scheme in such manner as it thinks fit and;
 - III. consult such other persons as it considers are likely to have an interest in the operation of the scheme.
36. 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 CTR scheme, and Section 5 (2) of Schedule 1A requires that each billing authority in England must make a CTR scheme by no later than 11 March each year. The above legislation states that the authorisation of the full scheme is subject to Council approval.

Risk

37. The scheme supports the delivery of the Council's strategic priority to reduce poverty as set out in the Council Plan 2024-2027. 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.

38. The implementation of a local CTR scheme ensures 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, Public Sector Equality Duty, and Community Cohesion

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

Climate Change / Environmental

40. There are no disproportionate adverse impacts on the aspirations of the Council to achieve net zero, net carbon neutral or be the lead authority on environmental issues.

Children and Young People Cared for by the Authority and Care Leavers

41. The current scheme provides support for Care Leavers, the proposal is for the cost of the support to be allocated to the Collection Fund rather than the General Fund. This change has no impact on the support available to Care Leavers, it does however share the cost of the support with the Precepting Authorities.

Data Protection / GDPR

42. The collation and use of personal data will be managed in accordance with the Council’s Data Protection policy and the Benefits, Council Tax and Business Rates Privacy Notice [Privacy notice - Housing Benefit and Council Tax Reduction | Middlesbrough Council](#)

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

Action	Responsible Officer	Deadline
The CTR scheme will be updated as outlined above. Subject to Full Council approvals. The scheme for 2024/2025 will be published on the Council’s website by 31 March 2024.	Janette Savage	31 March 2024

Appendices

A	2024-25 Proposed Council Tax Reduction Scheme, S13A and Schedule 1a of the Local Government Finance Act 1992 (to follow)
B	A summary of the public consultation survey results (attached)

Background papers

No background papers were used in the preparation of this report.

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