

MIDDLESBROUGH COUNCIL

Report of:	Director of Finance and Transformation
Relevant Executive Member:	Executive Member for Finance
Submitted to:	Executive
Date:	5 February 2025
Title:	Council Tax Reduction Scheme 2025/26
Report for:	Discussion
Status:	Public
Council Plan priority:	A successful and ambitious town
Key decision:	Not applicable
Why:	Not applicable
Subject to call in?:	Yes
Why:	Non urgent report

Executive summary

This report outlines the proposed Council Tax Reduction (CTR) scheme (sometimes referred to as Council Tax Support) scheme for 2025/26. Each Billing Authority in England has a statutory requirement to design and locally fund a Council Tax Reduction scheme by no later than 11 March each year, approved by a full Council decision.

The proposed scheme for 2025/26 will incorporate the minor legislative amendments to be made by government through regulations that the Council will be obliged to include.

It is recommended that the scheme's income bandings are subject to an inflation uplift to reflect the rate applied by government to working age benefits so that the current level of support for claimants is maintained and continues to provide appropriate support for the town's financially vulnerable residents.

It is therefore requested that Executive:

Note the proposed CTR scheme for 2025/26 and recommend it to full Council for consideration and a final decision.

1. Purpose

1.1 To note the proposed CTR scheme for 2025/26.

2. Recommendations

2.1 That Executive note the proposed CTR scheme for 2025/26 and recommend it to full Council for consideration and a final decision.

3. Rationale for the recommended decision(s)

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

3.2 CTR was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme which was administered by councils on behalf of the Department for Work and Pensions. As part of the introduction, the Government placed the duty to create a local scheme for working age claimants with Billing Authorities.

3.3 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 must be approved by a Full Council decision.

4. Background and relevant information

The current scheme

4.1 In 2022/23, the Council moved to an income-banded scheme. By doing so, it moved 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 council tax instalments, and to support its achievement of greater collection rates.

4.2 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 composition of each household (providing for up to 2 dependent children).

4.3 The CTR scheme is a means tested scheme, based on the household size and income, this differs from discounts and exemptions which are not means tested. Where a 100% exemption is granted, such as a student exemption, CTR will not apply as there is nothing to pay. If, on the other hand, a resident is in receipt of a single person discount or other discount, CTR may still be awarded based on the income and household composition.

4.4 The 2024/25 scheme maintained the current income-banded scheme, but also included support for Care Leavers, who were able to apply for CTR as opposed to receiving a local council tax discount. This was a technical adjustment and made no difference to the level of support available to Care Leavers, which remained unchanged.

4.5 In addition, the only other change for 2024/25 related to the childcare cost element for residents who receive Universal Credit that includes additional financial support due to incurring these costs. The Council agreed to disregard such costs as income within the CTR scheme and by doing so, supported those households with children taking paid employment.

The 2025/26 scheme

4.6 For 2025/26, it is proposed that the current income-banded scheme be retained subject to the proposed amendments, including that the scheme income ranges are increased in line with inflation. A number of Local Authorities have already implemented an income banded scheme with many more Local Authorities also opting for similar schemes. The main reasons for doing so is that a banded scheme is far easier to administer, removes the need for residents to report certain changes, opportunity for ‘take up’ is made simpler as residents can determine entitlement far easier than the previous scheme. Removing the level of complexities means that applying for support with Council Tax payments is far easier.

4.7 On 30 October 2024, the Chancellor announced in the Autumn Statement that state benefits, including Universal Credit and other working age benefits, would increase in line with inflation at 1.7% from April 2025.

4.8 The increase in income from state benefits due to the inflation uplift could result in a lower discount rate band being applied in some cases, based on the existing CTR income ranges set. This would 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.

4.9 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 2025/26 to reflect the inflation increase applied to state benefits and thereby maintain the level of support as far as possible for applicants.

4.10 The weekly income range for the current 2024/25 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 - £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

4.11 The proposed new weekly income ranges for 2025/26 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 - £119.48	£0 - £191.16	£0 - £262.84	£0-£167.27	£0 -£244.92	£0 - £310.63
Band 2	72%	£119.49 - £215.05	£191.17 -£286.73	£262.85 - £352.45	£167.28 - £286.73	£244.93 - £335.72	£310.64 -£406.21
Band 3	36%	£215.06 -£256.87	£286.74 - £304.66	£352.46- £418.16	£286.74 -£346.47	£335.73 - £382.32	£406.22 -£477.90
Band 4	23%	£256.88 - £304.66	£304.67 - £334.52	£418.17 - £537.64	£346.48 - £406.21	£382.33 - £442.05	£477.91 -£573.48
	0%	Over £304.66	Over £334.52	Over £537.64	Over £406.21	Over £442.05	Over £573.48

4.12 The cost of implementing the new ranges has been modelled and estimated at £0.061m against the current scheme expenditure. Due to the variables contained within the scheme, the actual cost may alter according to prevailing individual circumstances.

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

5.1 The Council could reduce the level of support offered to working age residents in receipt of CTR. However, the Council recognises the financial challenges placed on residents and is therefore proposing that the current level of support is maintained which incorporates the proposal to increase the income bandings in line with inflation.

5.2 In addition, the Council is not in a financial position to consider awarding additional support through higher discounts or different income ranges without affecting other Council services due to the current budgetary pressures. If the Council chose to increase the maximum award for working age residents to 95%, this would incur an additional cost of circa£0.65m. Similarly, if the maximum award was increased to a 100% maximum award, this would result in additional costs of circa£1.3m. If this were to be considered, a full consultation exercise would also need to be carried out which has not taken place during the current financial year.

6. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	There is an additional cost to the Council of circa£0.061m from a total current CTR scheme cost of £21.26m. Any additional expenditure incurred as a result of an increased take up of CTR will be reported as part of the budget monitoring process to ensure this is factored into projected expenditure in 2025/26.
Legal	The Local Government Finance Act Section 67 (2012 Act) inserted into Local Government Finance Act 1992 (Functions to be discharged by the Authority) making or revising a Council Tax Reduction Scheme – Section 13 (2) confirms that each Billing Authority in England must make a CTR 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 must be subject to full Council approval.
Risk	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.
Human Rights, Public Sector Equality Duty and Community Cohesion	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	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	The CTR scheme will have no negative impact on children and young people cared for by the authority and care leavers. The scheme will provide support for those residents who were Care Leavers and apply for help with their council tax instalments through the CTR scheme.
Data Protection	The collection and use of personal data will be managed in accordance with the Council's data protection policy which can be found here: Data protection Middlesbrough Council

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

Action	Responsible Officer	Deadline
Executive note the recommendations for the CTR scheme for 2025/26 and forward to full Council for a final decision	Janette Savage	5 February 2025
Subject to full Council approval, the CTR scheme to be published on the Council's website	Janette Savage	31 March 2025
Subject to full Council approval, the CTR scheme will be implemented for 2025/26	Janette Savage	31 March 2025

Appendices

1	Middlesbrough Council's Council Tax Reduction Scheme, S13A and Schedule 1a of the Local Government Finance Act 1992
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Background papers

Body	Report title	Date
No background papers were used in the preparation of this report		

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