

## POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Corporate Performance Panel		
DATE:	24 July 2023		
TITLE:	Draft Council Tax Support Scheme 2024/2025		
TYPE OF REPORT:	Policy Development		
PORTFOLIO(S):	Finance		
REPORT AUTHOR:	Jo Stanton, Revenues and Benefits Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	Yes

### **REPORT SUMMARY**

#### **PURPOSE OF REPORT**

We operate a scheme to help working age people on low incomes with the cost of their council tax by reducing their council tax bill. This is known as the Council Tax Support (CTS) scheme. There is a national set of regulations for a CTS Scheme for customers who have reached pension age, but we are free to decide the rules for our own CTS schemes for working age people in our area, taking into account some government requirements. This report only refers to our CTS Scheme for working age people.

We must review and agree our CTS scheme for our working age residents for each financial year and there is a process to follow when deciding our CTS Scheme. We must first consult with Norfolk County Council and the Police and Crime Commissioner for Norfolk as they are affected by our scheme. Cabinet must then decide on a set of draft rules for our working age CTS scheme which are then open for public consultation for six weeks. Once the consultation closes we must review the responses and full Council must agree a final CTS scheme by March 2024, taking into account any comments made as part of the consultation. Reports are taken to the Corporate Performance Panel and to Cabinet as appropriate as part of this process.

The options for the proposed draft CTS scheme for working age people for 2024/2025 are detailed at Section 2.

#### **KEY ISSUES:**

Our CTS Scheme is reviewed annually and can only be amended from the start of a financial year. The Panel are asked to decide which of the options they will recommend to Cabinet as the draft CTS Scheme to go to public consultation.

#### **OPTIONS CONSIDERED:**

There are a number of options for amending the current CTS Scheme for working age people. These are explored at section 2.

#### **RECOMMENDATIONS:**

**The Panel selects its preferred option to recommend to Cabinet for the draft CTS Scheme rules for working age people for 2024/2025.**

#### **REASONS FOR RECOMMENDATIONS:**

To ensure a working age CTS Scheme for 2024/2025 is agreed by full Council by the March 2024 deadline

## 1. Introduction

- 1.1. We operate a scheme known as Council Tax Support (CTS) to help working age people on low incomes with the cost of their council tax bills. There is a national set of regulations for the CTS Scheme for customers who have reached pension age.
- 1.2. The CTS regulations<sup>1</sup> require us to decide our own CTS scheme for working age people which we must review and agree each financial year, taking into account the impact on vulnerable groups and incentivising work. The CTS regulations also set out the process we must follow when reviewing and agreeing our scheme<sup>2</sup>. We must first consult with our major Preceptors (Norfolk County Council and the Police and Crime Commissioner), then decide a draft CTS scheme to go to public consultation. Once the consultation has closed the final CTS scheme must be agreed by full Council by March, before the start of the new financial year.
- 1.3. We are responsible for the CTS Scheme administration for both working age and pension age customers, but only for designing the scheme for working age customers. Central government contributes towards our administrative costs, but there is no separate funding for the CTS schemes themselves. CTS schemes are treated as a council tax discount and the financial impact is shown in Band D equivalent properties as part of our annual taxbase calculation, which then feeds into the Financial Plan. More information on the financial implications is at section 4.
- 1.4. Our current working age CTS scheme principles are included at Appendix A. These are based on the rules for the old national Council Tax Benefit (CTB) scheme which CTS replaced in 2013 and use many of the same principles as the ongoing Housing Benefit scheme. This makes the scheme easier for our customers to understand, and more straightforward for us to administer.
- 1.5. We also have our own categories of 'protected groups' where a customer's CTS is calculated using the national set of regulations, as these are currently more generous than our local scheme. This is intended to help people who would not be able to increase their income to cover the cost of their council tax bill by working. The protected groups include households with children under the age of five and those receiving Carer's Allowance and the full list is in Appendix A.
- 1.6. The CTS rules are complex, but our rules generally follow the national Pension Age Scheme rules. There are some exceptions to this where we have put our own local rules in place and these are shown below:

	<b>Our Local Scheme</b>	<b>Our Protected Scheme</b>	<b>National Pension Age Scheme</b>
Maximum Level of Support	84%	100%	100%
Capital Limit	£6,000	£16,000	£16,000
Weekly Deduction for a Non-Dependant:			
• Not working	£10	£4.60	£4.60
• Weekly Earnings under £236	£10	£4.60	£4.60
• Weekly Earnings between £236-£410	£10	£9.40	£9.40
• Weekly Earnings between £410-£511	£10	£11.80	£11.80
• Weekly Earnings above £511	£10	£14.15	£14.15
• Any other not included above	£10	£0	£0

<sup>1</sup> S13A(2) Local Government Finance Act 1992

<sup>2</sup> Schedule 1A 3(1) Local Government Finance Act 1992

Weekly Earnings Disregard:			
• Single	£15	£15	£5
• Couple	£20	£20	£10
• Disabled or Carer	£30	£30	£20
• Lone Parent	£35	£35	£25
Self-employed people – earnings used	Minimum income floor <sup>3</sup>	Actual earnings	Actual earnings
Second Adult Rebate <sup>4</sup>	None	Included	Included

1.7. Our overall CTS Scheme has remained largely unchanged since it started in 2013. Certain rules have been amended to reflect wider welfare reform changes, including amendments to the Housing Benefit rules and the introduction of Universal Credit, although there have been fewer changes in recent years as the pace of welfare reform has slowed. The maximum level of support was raised from 75 per cent to 84 per cent from 1 April 2022.

1.8. There have been no significant welfare reform changes in the current year that need to be reflected in the CTS for 2024/2025.

## 2. Options for the Panel to Consider

### 2.1. Option 1: Make the CTS Scheme more generous by using the Protected Scheme rules as the rules for the Local Scheme

- We could consider changes to the principles of the existing CTS scheme model to bring the Local and Protected Schemes in line, and make our Local Scheme more generous.
- There are currently 5,240 working age households claiming CTS, and 3,700 (over 70%) of these are in a protected group, with 1,540 assessed using our Local Scheme rules.
- There is a growing trend across England for local authorities to make their CTS schemes more generous in response to the cost of living crisis. In 2032/2024 29 authorities increased their level of support, and around a third of CTS schemes now cover up to 100% of a household's council tax bill.
- Another reason to use the more generous rules is the wider rollout of Universal Credit (UC). People in protected groups are often identified by their entitlement to certain benefits, but over the next two years these benefits will end and be replaced by UC. This means we will not be able to identify these households as needing protection and they may lose out on support if the two schemes are not the same.

<sup>3</sup> Instead of using actual earnings we use an assumed earnings amount based on the number of hours worked, multiplied by the national minimum wage.

<sup>4</sup> Certain people who do not qualify for CTS can receive a discount of up to 25% if they have a second adult living with them who is on a low income.

- The changes to bring the schemes for the two groups into line would include:
- Increasing the maximum weekly council tax bill that is paid under the scheme to 100%:  
This would mean all working age people could receive CTS for up to 100% of their council tax bill (people who have excess income, for example if they have earnings above the disregard as shown in Appendix A, may receive less than 100% CTS).
- Raising the Capital Limit:  
Under our Local Scheme the maximum amount a household can hold in capital (money, shares and savings) is £6,000. Raising this to £16,000 would be in line with the Protected and Pension Age Schemes and would mean more people are able to claim CTS.
- Changing Non-Dependant Deductions:  
To align both schemes the non-dependant deduction rates will need to be changed. The deductions for the non-protected groups would be aligned with the two other schemes so the same deductions are applied to all customers.
- Changing the treatment of Self-employed people:  
The rules for earnings for self-employed people would be amended to mirror those for the protected groups and pension age schemes
- Re-introducing Second Adult Rebate  
The numbers of people qualifying for this discount are generally low, and it has been removed for our Local Scheme. This would be reinstated in line with the Protected and Pension Age schemes.
- Retaining the more generous Earnings Rules and War Pension rules  
The extra £10 weekly earning disregard would be retained for our Local scheme and we would continue to disregard War Pensions.
- Making these changes would mean that Non-Protected Groups would be assessed using the same rules as Protected Groups, so this distinction could be removed, simplifying the scheme for both staff and customers. We would then have one single, more generous local scheme for all Working Age people and the separate national scheme for all Pension Age people.
- Making these changes will increase the amount of CTS awarded and will adversely impact on the taxbase. It is estimated the additional impact will be equivalent to 123.7 Band D properties. This could increase as more people are able to apply as they now meet the criteria, particularly with the increased capital limit.
- Further information on the financial implications of the additional awards is at section 4.

## **2.2. Option 2: Reduce the taxbase impact of the CTS Scheme by reducing the Protected Groups**

- We could consider reducing the taxbase impact of the working age CTS scheme by reviewing who is included in a Protected Groups as listed in Appendix A (except for Pension Age people) and using the less generous Local CTS Scheme

rules to calculate their CTS. This would mean they could only receive CTS to cover up to 84% of their council tax bill

- The CTS regulations require us to consider the impact of our scheme on vulnerable groups, so removing some of the protections and paying less CTS would mean these households will have to pay more towards their council tax bills.
- To remove all the protections and limit the maximum amount of CTS to 84% for those in a Protected Group would increase the taxbase by an additional 360.5 Band D properties but would mean 3,700 households would have to pay more council tax. More information is at section 4.

### **2.3. Option 3: Alternative Models for Support**

- There are also alternative CTS scheme models that can be considered for our working age scheme, such as a banded discount scheme, where a set percentage discount is awarded based on a person's income and household.
- Changing our scheme to an alternative model will involve significant changes and financial disruption for our customers, and inevitably there will be winners and losers. It would also mean the rules for working age customers were different to those for pension age customers, and different to the rules for Housing Benefit, adding administrative complexity. There would also be a direct cost for upgraded software and professional support.

### **2.4. Option 4: No change**

- The CTS Scheme does not have to be changed and can continue with the same rules and principles as for 2023/2024.

## **3. Corporate Priorities**

3.1. The CTS Schemes supports the promotion of Social Mobility and Inclusion for our residents.

3.2. Recommending an option where the scheme is made more generous will increase the income of over 1,500 local residents but will adversely affect the financial plan. Alternatively making the scheme less generous will have a positive impact on our finances but would mean more people have to contribute towards their council tax bill.

## **4. Financial Implications**

### **4.1. Current Position**

- The table below shows the impact of the current CTS Scheme on the 2023/2024 taxbase. CTS is treated as a council tax discount and the financial impact is expressed in Band D equivalent properties as part of our annual taxbase calculation.
- The taxbase is a measure of how much council tax we can raise in the borough, so the calculation also includes an adjustment for other discounts and exemptions, including the 100% property exemptions and 25% single resident discounts. The reduction for CTS is shown separately.

- The taxbase calculation for 2023/2024 is shown below:

	<b>Borough Taxbase 2023/2024</b>
<b>2023/2024 Taxbase</b>	<b>03/10/2022</b>
Total Dwellings	74,810.0
Exemptions and Discounts	8,127.8
Dwellings after Exemptions and Discounts	66,682.2
Band D Equivalents	57,776.5
Band D Equivalents for Council Tax Support	5,172.6
Band D Equivalents after Council Tax Support	52,603.9
Band D Equivalent for Class O	380.5
<b>Council Tax Base</b>	<b>52,984.4</b>

- The taxbase then feeds into the Financial Plan and the calculation of our funding position:

	<b>Proposed Estimate 2023-24</b>
<b>Borough Spend</b>	<b>24,919,510</b>
Contributions to/(from) General Fund Balance	(2,631,810)
<b>Borough Requirement</b>	<b>22,287,700</b>
Revenue Support Grant	(952,100)
Rural Service Delivery Grant	(485,690)
New Homes Bonus	(14,560)
Other Government Grants	(1,144,020)
<b>Taxation</b>	
Business Rates	(12,068,520)
Buisness Rates Reserves	0
Collection Fund Surplus	0
Council Tax Band D	£ 143.87
<b>Council Tax Base</b>	<b>52,984</b>
Council Tax	(7,622,810)
<b>Funding Position</b>	<b>0</b>

- The actual amount of CTS awarded, and therefore the financial impact on our income, can be calculated by multiplying the number of Band D properties by the Band D council tax charge.
- This can be calculated as a total figure, or for individual Preceptors by multiplying by their own band D council tax charge. These figures for the current year 2023/2024 are shown below.

<b>Current Scheme</b>	<b>Band D Council Tax</b>	<b>Budget Impact</b>
<b>Reduction in Band D Equivalent Properties 2023/2024</b>		<b>5,172.6</b>
Norfolk County Council	£ 1,592.64	£ 8,238,090
Police and Crime Commissioner	£ 302.94	£ 1,566,987
<b>Borough Council</b>	<b>£ 143.87</b>	<b>£ 744,182</b>
Parish / Town Councils	£ 74.53	£ 385,514
<b>Total</b>	<b>£ 2,113.98</b>	<b>£ 10,934,773</b>

#### 4.2. Impact of the options outlined at section 2

- Making the rules for the Local Scheme for non-protected groups the same as the more generous scheme for protected groups will award an estimated £261,500 (our share £17,797) in CTS and reduce our taxbase by an estimated 123.7 band D properties. The financial impact for the Preceptors is shown below:

<b>Option 1 - More Generous Scheme (see 2.1)</b>	<b>Band D</b>	<b>Budget Impact</b>
<b>Option 1 - Additional Reduction in Band D Equivalent Properties</b>		<b>123.7</b>
Norfolk County Council	£ 1,592.64	£ 197,010
Police and Crime Commissioner	£ 302.94	£ 37,474
<b>Borough Council</b>	<b>£ 143.87</b>	<b>£ 17,797</b>
Parish / Town Councils	£ 74.53	£ 9,219
<b>Total</b>	<b>£ 2,113.98</b>	<b>£ 261,500</b>

- Reducing the maximum CTS award for protected groups from 100% to 84% reduces the CTS awarded by £762,000 (our share £51,859) and increases our taxbase by an estimated 360.5 band D properties. The financial impact for the Preceptors is shown below:

<b>Option 2 - Reviewing the Protected Groups (see 2.2)</b>	<b>Band D</b>	<b>Budget Impact</b>
<b>Option 2 - Increase in Band D Equivalent Properties</b>		<b>(360.5)</b>
Norfolk County Council	£ 1,592.64	(£574,083)
Police and Crime Commissioner	£ 302.94	(£109,198)
<b>Borough Council</b>	<b>£ 143.87</b>	<b>(£51,859)</b>
Parish / Town Councils	£ 74.53	(£26,865)
<b>Total</b>	<b>£ 2,113.98</b>	<b>(£762,000)</b>

- It is not possible to estimate the impact on the taxbase of Option 3 without more extensive modelling work and incurring additional costs.
- There would be no additional impact on the taxbase for Option 4.
- The estimated taxbase used in the Financial Plan for 2023/2024 is 52,984 band D properties. The projection used for 2024/2025 is 53,284 band D properties.
- The actual current taxbase figure for 2023/2024 is 53,593. This includes a reduction of 4,848 band D properties for the impact of CTS, lower than the original estimate of 5,172.6 band D properties.
- The growth in the taxbase is due to an increase in new domestic properties being added to the council tax list plus changes to discounts and exemptions (284 Band D equivalent properties) and a reduction in the number of people claiming CTS (325 Band D equivalent properties).

- This growth is sufficient to offset any additional adverse impact of changes to the CTS Scheme.

## **5. Any other Implications/Risks**

- 5.1. The budget impact of the CTS scheme is based upon the household numbers described above which form the basis of the Financial Plan. The impact will be affected by the changing circumstances and demographic of our taxpayers; for example household welfare, age mix, additional households entering our tax base.
- 5.2. In the current economic climate the risk assessment cannot be neutral but it is considered that there is sufficient flexibility in our financial structure to withstand any adverse impact.
- 5.3. The impact of the CTS scheme is, and will continue to be, operationally reviewed monthly and reported to Members annually in October.

## **6. Equal Opportunity Considerations**

- 6.1. The Equality Impacts will depend on which option the Panel recommend to Cabinet, however Option 1 is likely to have positive equality impacts, whilst Option 2 would negatively impact a significant number of people. An Equality Impact Assessment will be included in the Cabinet report.
- 6.2. Members should be aware of the potential equality Impacts of changes to the scheme, and a summary of these is below.

### **6.3. Option 1:**

- Maintains the more generous CTS support for those in vulnerable groups and those with relevant protected characteristics
- Will provide more help to customers not in vulnerable groups or covered by equality considerations
- Has a negative impact on the council's finances

### **6.4. Option 2:**

- Reduces financial support available through CTS for those in vulnerable groups and potentially for those with relevant protected characteristics
- Maintains the same level of support for customers not in vulnerable groups or covered by equality considerations
- Has a positive impact on the council's finances

### **6.5. Option 3**

- Equality impacts can only be explored if and when an alternative CTS Scheme model is chosen

### **6.6. Option 4**

- No new equality considerations, however the rollout of UC may mean those who should be in a Protected Group can no longer be identified and lose out on a more generous level of support.



6.7. A further EIA will be completed as part of the reports for the final CTS Scheme for 2024/2025 after the consultation has closed.

## **7. Consultation**

- 7.1. Norfolk County Council and the Norfolk Police and Crime Commissioner have been contacted for their comments on the options listed for the CTS Scheme. Norfolk County Council responded on 6 July 2023 and their response is included at Appendix B. Norfolk Police and Crime Commissioner has yet to respond.
- 7.2. The draft CTS scheme public consultation will run for six weeks during September and October 2023. The consultation will primarily be online however paper copies of the questionnaire are available on request. The consultation will be publicised on our website, via email alerts and social media, and will also be sent to Members and Parish / Town Councils to draw to the attention of their local residents.
- 7.3. In response to feedback from the 2023/2024 scheme consultation, the consultation questions will be refreshed and reworded to make them easier to understand, and to attempt to promote more interest and responses.
- 7.4. The results of the consultation will be fed into the reports for the approval of the final CTS scheme. The final scheme still requires approval by full Council and will be taken to the Corporate Performance Panel and Cabinet before being recommended to Council.

## Appendix A – Current 2023/2024 CTS Scheme Principles

Our current working age CTS scheme assesses a household's income against an allowed amount, called an 'applicable amount'. If their income is less than the applicable amount they receive full CTS, subject to a 16% contribution if they are not in a protected group. If it is more than the applicable amount their CTS is reduced by 20p for every extra £1 of income.

### Our current CTS Scheme Principles:

An equal cut is made to everyone apart from those in a protected group.

The key points are:

- Working Age people have their CTS calculated based on 84% of their weekly CTS bill
- A weekly £10 deduction is made for each non-dependent regardless of their income
- The maximum amount of Capital allowed is £6,000
- No Tariff Income is assumed for capital under £6,000
- Self Employed people are assumed to have an income of at least the minimum wage
- There is no Second Adult Rebate

To fulfil the requirement to consider vulnerable groups, CTS will be assessed using the national, more generous Pension Age scheme rules for the following groups:

- Those who have reached the qualifying age for State Pension Credit (under central government rules)
- Households with at least one child under the age of 5
- Those entitled to the Disability Premium, the Disabled Child Premium or the Carer Premium as part of their needs calculation
- Those in receipt of Carer's Allowance, Attendance Allowance or Constant Attendance Allowance
- Those receiving Working Tax Credit including a disability element
- Those in the Employment and Support Allowance Support group
- Those in receipt of Disability Living Allowance or Personal Independence Payment

The CTS scheme also includes incentives to find work. People are allowed to keep an extra £10 (above the national limit) before their CTS is affected. This is known as a disregard and the amounts are:

- |                       |     |
|-----------------------|-----|
| • Single              | £15 |
| • Couple              | £20 |
| • Disabled or a Carer | £30 |
| • Lone Parent         | £35 |

We also have a local income disregard as below:

- War Pensions will be fully disregarded in the income calculation

### General CTS Scheme Rules

- In all other areas the CTS Scheme rules will follow the rules for working age Housing Benefit claims

## Appendix C

### Norfolk County Council – Consultation Response



Director of Financial Management  
County Hall  
Martineau Lane  
Norwich  
NR1 2DW

Joanne Stanton (via email)



Please ask for: Harvey Bullen



06 July 2023

Dear Joanne,

#### **Norfolk County Council response to Borough Council of King's Lynn & West Norfolk 2024-25 Council Tax Support Scheme Consultation**

Thank you for your email of 27 June 2023. The County Council appreciates the opportunity to input into the consultation. Our comments on the options are as follows –

#### **Option 1 - Make our working age CTS Scheme more generous so it is the same as the national pension age scheme and awards up to 100% support**

The County Council is sympathetic to the challenges facing local [tax payers](#) and the impact of the current cost of living crisis, but on balance opposes this proposal because it is essential to maintain council tax income levels to continue to provide vital services for the public. We would therefore have concerns about any proposal reducing the taxbase and the resulting reduction in council tax income to fund services.

#### **Option 2 - Review our Protected groups (who receive more generous levels of CTS) and reduce the maximum support for some or all groups to 84%**

The County Council is sympathetic to the challenges facing local [tax payers](#) and the impact of the current cost of living crisis, but on balance supports this proposal. We are supportive of changes that will increase taxbase and provide increases in council tax income to fund service delivery.

#### **Option 3 - Consider an alternative model for our CTS scheme such as a banded discount scheme based on household composition and income bands**

The County Council neither supports [or](#) opposes this proposal at this stage. It is difficult to comment without understanding the proposed approach and potential implications of any change.

**Option 4 - No change – the current CTS scheme continues for 2024/2025**

Norfolk County Council's position remains that its preference would be for all Norfolk billing authorities to move towards a consistent Council Tax Support Scheme across the county on the following basis:

1. To limit Council Tax Support discount to occupants of properties no higher than Band D Council Tax.
2. To work with district colleagues across the County to establish the cap for the Council Tax Support discount for working age claimants at a uniform amount in Norfolk, suggested at 75% of the maximum Council Tax charge.

I am aware that this harmonisation will not be delivered by the current proposals, but would encourage you to consider these principles again for any future revisions to the Council Tax Support Scheme. The County Council would be very happy to facilitate county wide discussions to achieve this objective.

Kind regards,

Harvey Bullen  
Director of Strategic Finance