

19 November 2024**TITLE OF REPORT: Local Council Tax Support Scheme for 2025/26****REPORT OF: Darren Collins, Strategic Director Resources and Digital and Borough Treasurer.****Purpose of the Report**

1. Cabinet is requested to recommend to Council a Local Council Tax Support Scheme for the year 2025/26

Background

2. The Local Council Tax Support Scheme (LCTS) was introduced by Central Government in 2013 as a replacement for the Council Tax Benefit scheme. As part of the introduction the Government:
 - placed the duty to create a local scheme for working age claimants with local authorities
 - prescribed that persons of pension age would be dealt with under the existing regulations set by Central Government and not the Local Authorities local scheme.
 - Pensioners, subject to their income, can receive up to 100% support towards their Council Tax. The Council has no powers to change the level of support provided to pensioners and therefore any changes to the level of LCTS can only be made to working age scheme
 - reduced initial funding from the level paid through benefit subsidy to Local Authorities under the previous Council Tax Benefit scheme.
 - funding for the Local Council Tax Support scheme has been absorbed into other Central Government grants paid to Local Authorities that have been subject to reductions year on year.
3. When designing a scheme, the Council should consider its legislative responsibilities and also consider changes that might adversely (or beneficially) impact on its residents in year, in particular, the increased cost of living, the removal of hardship funding and any national changes especially in relation to changes in benefit income which affect entitlement within the scheme.
4. Under legislation, the Council's own Local Council Tax Support scheme must be approved each year by Council by 11 March at the latest. A proposed council tax support scheme within this report is therefore a scheme for 2025/26.

Modelling and Assumptions

5. The challenges local authorities face in designing a Local Council Tax Support scheme is to balance the overall cost of a scheme, the needs and affordability for residents, simplicity and the cost of administration. There are a number of issues to consider which include:
 - a. The volatility of the economic climate

- b. The affordability and ability for residents on low incomes to pay
 - c. The Council's ability to collect outstanding debts from residents on low incomes
 - d. The roll-out of Universal Credit for working age claimants is set to proceed at pace during 2025/26. Whilst LCTS is administered by the Council, Universal Credit including Housing costs is administered by DWP. It is felt that changing core benefits at the same time as LCTS increases the risk for this client group
 - e. If the scheme was changed the Council would be required to take transitional protection measures
6. Local Council Tax Support schemes are required to protect pensioner households. Based on current numbers of claimants this would equate to around £10.34 million in 2025/26. As the pensioner element of the Local Council Tax Support Scheme is prescribed at up to 100% any increase in contribution would fall to the working age claimants only.
 7. Any proposal to increase the contribution for working age claimants would present challenges in respect of affordability for residents and for the collection of income for the Council. Examples of the impact on affordability are presented in Appendix 2 to the report.
 8. Analysis of data from other Councils and from previous experience of collection within Gateshead indicates that, as the level of any attachment of benefits is nationally prescribed, this would mean that it would be unlikely that the Council would be able to collect an increased outstanding amount. The modelling suggests that any rise in the contribution would not decrease the overall cost of the scheme and further increasing the level of contribution required is projected to result in a lower amount of income collected.

Proposal

9. The proposed Local Council Tax Support scheme for Gateshead has been established with due regard to the Council's statutory obligations and in order to support those claimants most in need of financial assistance, consistent with the Council's priorities and policies.
10. Apart from some minor underlying adjustments to the scheme calculations to bring the scheme in line with the Government's Housing Benefit and Universal Credit scheme, the proposed scheme for 2025/26 will remain the same as the scheme that was in place in previous years from 2013/14 and this will retain the same provision for pensioners and the original 8 underlying principles outlined below for working age claimants:
 - Protection should be given to certain groups – all working age claimants to pay at least 8.5% of their council tax liability
 - The scheme should encourage people to work
 - Everyone in the household should contribute
 - Capital or Savings threshold should be maintained at £16,000
 - War Pensions should be disregarded
 - Minimum level of support should be £1 (per week)
 - Child benefit should be disregarded as income.

- A discretionary fund should be maintained.

11. The proposed scheme therefore retains the minimum contribution for all working age claimants at 8.5% of their Council Tax liability and does not recommend an increase to this figure.

12. It is proposed that the discretionary part of the scheme continues to be set at £25,000 to help support the most vulnerable claimants in exceptional circumstances.

Recommendations

13. Cabinet is requested to recommend that Council:

- i) Approve the proposed scheme as set out in paragraphs 9 and 12 of the report; and
- ii) delegate powers to the Strategic Director Resources and Digital to provide regulations to give effect to the scheme including publishing full details online.

For the following reasons:

- i) To meet the statutory requirements of the Local Government Finance Act 2012 in relation the establishment of a framework for Localised Council Tax Support
- ii) To mitigate the impact of the increased cost of living on Council Tax support claimants
- iii) To mitigate the impact of funding reductions on Council finances
- iv) To support the Council's "Thrive" agenda.

APPENDIX 1

Policy Context

1. The proposals in this report are consistent with Council priorities and in particular ensuring that effective use is made of Council resources to support the framework for “Making Gateshead a place where everyone thrives”.

Background

2. The Welfare Reform Act 2012 included the abolition of the Council Tax Benefit scheme with effect from 1 April 2013.

The Act created the need for each billing authority in England to develop a scheme that ‘states the classes of person who are to be entitled to a reduction under the scheme’. The Council must, before developing a scheme, consult any major precepting authority which has power to issue a precept, publish a draft scheme in such a manner as it sees fit, and then consult such other persons as it considers are likely to have an interest in the operation of the scheme.

3. The Council scheme, since 2013 has been based on 8 underlying principles:
 - **Principle 1 – Protection should be given to certain groups** – All working age claimants to pay at least 8.5% of their council tax liability. The council will support through the local scheme the remaining amount up to 91.5%.
 - **Principle 2 – The scheme should encourage people to work** – The earnings taper will not be increased and the earnings disregard will not be decreased.
 - **Principle 3a – Everyone in the household should contribute: Non-Dependants** - Non dependant deductions will increase in line with government recommendations and be on a sliding scale according to income.
 - **Principle 3b – Everyone in the household should contribute: Second Adult Rebate** – there will be no second adult rebate.
 - **Principle 4 – Benefit should not be paid to those with relatively large capital or savings** – The level of savings a claimant can have will be £16,000. A tariff will be applied for savings held between £6,000 and £16,000.
 - **Principle 5 – War pensions should not be included as income** – In recognition of the sacrifices made by war pensioners, war pension income will be excluded as income.

- **Principle 6 – There should be a minimum level of support** – The minimum award of council tax support will remain at £1 per week.
- **Principle 7 – Child benefit will not be included as income** – All child benefit income will continue to be disregarded in the calculation.
- **Principle 8 – Establishment of a discretionary fund** – A discretionary fund will allow for additional support to be provided to the most vulnerable in exceptional circumstances.

Consultation

4. The Leader of the Council has been consulted in the preparation of this report.

Alternative Options

- 5 Alternative options could involve the adoption of a scheme which offers less support by increasing the minimum contribution or more support to residents by increasing at a greater rate the Council's commitment of resources. The proposal retains the significant level of support from the Council to working age claimants in line with policy priorities.

Implications of Recommended Option

6 Resources:

a) Financial Implications –

- 6.1 The proposed approach enables the Council to operate a support scheme within the funding available and to mitigate the impact on working age claimants by utilising council resources.
- 6.2 Adopting the scheme means that approximately 12,000 council tax payers will continue to pay no more than 8.5% of their council tax (around £146 per year or £2.80 per week). This modelling is based on current numbers of claims.
- 6.3 The full impact on the Collection Fund also continues to be monitored and the behaviour of those claimants who are required to pay has been analysed during the current and previous years. Collection from this client group has remained static in the first eleven years of the scheme and continues to do so in 2024/25.
- 6.4 A discretionary fund of £25,000 is available to be used to support the most vulnerable claimants in exceptional circumstances.

6.5 The removal of the ring-fence within the Government funding calculation means that Government funding for this area has been significantly reduced. The best estimate of the net overall cost of the scheme to the Council is approximately £26.485 million.

6.6 **Human Resources Implications** – There are no human resource implications directly arising from this report

b) **Property Implications** - There are no property implications directly arising from this report

7 **Risk Management Implication** - Retaining a scheme based on the same principles eliminates the risk of a local scheme not being supported from a technology perspective.

8 **Equality and Diversity Implications** - An Integrated Impact Assessment has been carried out.

9 **Crime and Disorder Implications** – No impact.

10 **Health Implications** – Financial concerns may adversely affect the mental and physical health of some residents.

11 **Climate Emergency and Sustainability Implications** - There are no sustainability implications arising from this report.

12 **Human Rights Implications** – There are no Human Rights implications arising from this report.

13 **Area and Ward Implications** – This scheme affects all current and future working age benefit recipients across Wards within the borough.

Background Information

Welfare Reform Act 2012

Local Government Finance Bill

Communities and Local Government - Statement of intent

Communities and Local Government - Vulnerable people –key local authority duties

Welfare Reform and Work Bill 2015

Integrated Impact Assessment

Appendix 2

Worked examples of current scheme and 2025/26 estimates and assumptions for illustrative purposes only.

Example 1

Single person working age over 25 = on Universal Credit of £93.52 per week.¹

Based on current 8.5% minimum contribution.

Council Tax liability	£24.73 per week
Maximum CTS	£22.63
CTS Entitlement	£22.63 so pays £2.10 per week from an income of £93.52

Based on 30% minimum contribution.

Council Tax liability -	£24.73 per week
Maximum CTS -	£17.31
CTS Entitlement =	£17.31 so pays £7.42 per week from an income of £93.52

In this example, the issue is further exacerbated by other essential expenditure –
If we take the example of this single person, living in a council tenancy, out of that £93.52 income per week

CT	£7.42
Rent	£22.00 (including under occupancy and water rates)
Utilities	£55.00 (including gas, electricity, insurance, broadband/phone)
Food/other	£9.10 (remainder of available income)

Example 2 - Single person of working age under 25 = on Universal Credit of £73.85²

Based on current 8.5% minimum contribution.

Council Tax liability	£24.73 per week
Maximum CTS	£22.63
CTS Entitlement	£22.63 so pays £2.10 per week from an income of £73.85

Based on 30% minimum contribution.

Council Tax liability	£24.73 per week
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¹ 4432 Single UC claimants

² 4432 single UC claimants

Maximum CTS	£17.31
CTS Entitlement	£17.31 so pays £7.42 per week from an income of £73.85

Example 3a - Single person of working age over 25 = earnings of £133.49 per week.

Based on current 8.5% minimum contribution.

Council Tax liability	£24.73 per week
Maximum CTS	£22.63
CTS Entitlement	£15.38 so pays £9.35 per week from an income of £133.49

income after council tax = £124.14

Based on 30% minimum contribution.

Council Tax liability	£24.73 per week
Maximum CTS	£17.31
CTS Entitlement	£10.11 so pays £14.62 per week from an income of £133.49

Income after council tax = £118.87

Example 3b - Single person of working age over 25 = earnings of £183.04 pw (16hrs).

Based on current 8.5% minimum contribution.

Council Tax liability	£24.73 per week
Maximum CTS	£22.63
CTS Entitlement	£5.47 so pays £19.04 per week from an income of £183.04

Income after council tax = £164

Based on 30% minimum contribution.

Council Tax liability	£24.73 per week
Maximum CTS	£17.31
CTS Entitlement	£0.20 so pays £24.53 per week from an income of £183.04

As CTS is below £1 per week, there would be no award given.

Income after council tax = £158.51

Example 4 - Lone parent with 3 children – earnings, tax credits and Child benefit income totalling £362.65.

Based on current 8.5% minimum contribution.

Council Tax liability	£24.73 per week
Maximum CTS	£22.63
CTS Entitlement	£9.09 so pays £15.64 per week from an income of £362.65

Income after council tax = £347.01

Based on 30% minimum contribution.

Council Tax liability	£24.73 per week
Maximum CTS	£17.31
CTS Entitlement	£4.99 so pays £19.74 per week from an income of £362.65

Income after council tax = £342.91

Example 5 - Couple with 2 children – earnings, tax credits and child benefit income totalling £452.79.³

Based on current 8.5% minimum contribution.

Council Tax liability	- £32.98 per week
Maximum CTS	- £30.18
CTS Entitlement	= £11.13 so pays £21.85 per week from an income of £452.79

Based on 30% minimum contribution.

Council Tax liability	- £32.98 per week
Maximum CTS	- £23.09
CTS Entitlement	= £1.33 so pays £31.65 per week from an income of £452.79

Note the benefit rates are estimated to include an 3% increase which is not guaranteed and estimated other charges for next year.

³ 576 claimants