

City Council - 27 January 2025

Report of the Executive Member Finance and Resources

Corporate Director Stuart Fair – Corporate Director for Finance and Resources – S151 Officer

Report Author and Contact Details – Dom O’Melia – Head of Customer Access

Title – Local Council Tax Support Scheme 25/26

Does the report form part of the Budget or Policy Framework?

Yes No

Commissioner Consideration –

Has this report been shared with the Commissioners’ Office? Yes No

Any comments the Commissioners wish to provide are listed below.

Does this report contain any information that is exempt from publication?

No

Relevant Council Plan Key Outcome:

Green, Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Living Well in our Communities	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input type="checkbox"/>
Serving People Well	<input type="checkbox"/>

1. Summary

- 1.1 This report seeks approval of the recommendation of the Executive Board of 21 January 2025 in relation to proposed changes to the Council Tax Support scheme for 2025/26

2. Recommendations

- 2.1 To note and consider the consultation feedback attached to the report as Appendix 1.
- 2.2 To approve the proposed changes to the Council Tax Support scheme for 2025/2026 attached to the report as Appendix 2
- 2.3 Delegate approval for the Local Council Tax Support Scheme 2025/2026 Regulations to the Section 151 Officer in consultation with the Portfolio Holder for Finance

3. Reasons for recommendations

- 3.1 The Council Tax Support (CTS) scheme, which replaced the previous national Council Tax Benefit scheme from April 2013, provides financial assistance to households on low incomes or benefits through a reduction in Council Tax. Each year the Council is required to consider whether to revise its CTS scheme.
- 3.2 The Local Government Finance Act 1992 sets out the process by which Councils must approve a local CTS scheme. Regulations continue to prescribe the scheme for households who have reached state pension age (pensioners), allowing up to 100% support against Council Tax liability.
- 3.3 The current scheme provides a maximum amount of 80% support for working age claimants.
- 3.4 With the financial pressures to close the substantial budget gap, Nottingham City Council must look to all options, including reduced support for CTS.
- 3.5 Statutorily the scheme must be agreed by 11 March 2025 for the new scheme to take effect for the following year and to enable the Council to receive the additional Council Tax raised for the year 2025/26. If the Council does not meet this deadline and agree the changes to the scheme, the Council will be required to continue to deliver the current CTS scheme and will need to find an alternative way to manage the budget gap.

4. Other options considered in making recommendations

- 4.1 Not to revise the Council Tax Support Scheme. This option was rejected as an alternative way to manage the budget gap has not been identified.

5. Consideration of Risk

- 5.1 Any impact on collection rates due to the changes have been considered in the financial modelling of the scheme and will be continuously monitored.

6. Best Value Considerations

- 6.1 Changes to the minimum income floor and the increase in the de minimis setting to £5 will improve efficiency and reduce the administrative burden of the scheme

7. Background (including outcomes of consultation)

- 7.1 Council Tax Support is a discount which helps households on low incomes with their Council Tax bill. Around 19% of households in Nottingham are in receipt of Council Tax Support and the scheme costs over £30 million a year to operate.

Applying the discount affects the amount of Council Tax the Council receives and has an impact on the amount of Council Tax that all households in the city pay.

The scheme has not been reviewed since it started in 2013, despite changes to Welfare Benefits and Council funding over this period.

Like all Local Authorities the Council has significant financial challenges. The proposals enable the Council to provide a scheme that is financially sustainable in future years which also reduces the administrative burden.

The aim is to have a scheme that continues to support those on the lowest incomes and is future proofed in terms of its cost.

The proposals do not affect the Council Tax Support Scheme for pensioner households, the rules for which are controlled by Central Government. The proposed changes to the Scheme will affect all working age (under state pension age) households.

The Council held a six-week consultation on the following summarised scheme modifications and has set out the recommended changes below: -

- i. **Reduce the maximum level of CTS for working age claimants to from the current 80% of their net Council Tax liability to either 30%, 40% 50%, 60% or 70% of their net Council Tax liability.**

After analysing the feedback from the consultation, it is recommended that the council maintains the maximum level of CTS for working age households at 80% of their net Council Tax liability

- ii. **Reduce the maximum level of CTS to the liability of a band B property**

Base the maximum level of CTS on the liability of a band B property. Households in band C-H properties would have their maximum level of CTS calculated at the rate of a band B property.

This is likely to impact 671 households.

Property Band	Number of households
C	490
D	138
E	28
F	10
G	5

After analysing feedback from the consultation, it is recommended that the maximum level of CTS is reduced to the liability of a band B property.

- iii. **Introduce a minimum threshold in respect of in year changes to entitlement**

Under the current scheme and changes to entitlement, no matter how small result in recalculation and issuing of a new council tax bill with reset instalment plans. This proposal introduces a threshold where reported changes resulting in a small change of entitlement either up or down do not change the level of award or issue a new bill.

After analysing the feedback from the consultation, it is recommended that a minimum threshold of **£5** per change is introduced.

iv. Continue to protect families by disregarding Child Benefit and Child Maintenance

In order to protect families Child Benefit and Child Maintenance are not counted when assessing a household's income.

After analysing feedback from the consultation, it is recommended to continue to protect families by disregarding child benefit.

v. Protect households of lone parents with children under the age of 5 by maintaining them at the current maximum support of 80%

As recommendation **i)** is to maintain the current maximum level of support at 80% it is no longer necessary to provide this protection.

vi. Continue to protect households with disabilities by disregarding certain disability benefits

This supports the most vulnerable by continuing to protect households with disabilities by disregarding the following disability benefits when assessing a household's income.

- Personal Independence Payments
- Armed Forces Independence Payments
- Disability Living Allowance
- Attendance Allowance

After analysing feedback from the consultation, it is recommended to continue to protect households with disabilities.

vii. Continue to protect War Pensioners by disregarding War Pensions and War Disablement Pensions in full

This protects certain war pensioners by disregarding War Pension and War Disablement Pensions when assessing a household's income.

viii. To protect full time carers from additional cuts by disregarding Carers Allowance

As recommendation **i** is to maintain the current maximum level of support at 80% it is not necessary to provide this protection.

ix. Reduce the capital threshold from £16,000 to £6,000

Currently households with less than £16,000 capital (e.g. savings, stocks, shares, property) are eligible for CTS. This limit will be reduced to £6,000 and where applicants have more than £6,000 in capital they will not be entitled to support.

This is likely to impact 199 households.

After feedback from the consultation, it is recommended to reduce the capital threshold from £16,000 to £6,000.

x. **Raise the minimum weekly award of Council Tax Support from £0.50 to £5.00**

Where an assessment results in a weekly award of less than £5 per week the applicant will not be entitled to support.

This is likely to impact 568 households.

After analysing feedback from the consultation, it is recommended to raise the minimum weekly award from £0.50 to £5.00

xi. **Introduce a Minimum Income Floor for Self Employed Applicants.**

In order to align CTS with Universal Credit a minimum level of income equivalent to 35 hours at minimum wage (16 hours for lone parents) will be assumed for self-employed applicants outside of an initial start-up period.

This is likely to impact 62 households.

After analysing feedback from the consultation it is recommended to introduce a minimum income floor for self-employed applicants.

7.2 The combined impact of the recommended changes is likely to impact 1158 households and reduce the gross cost of the scheme by c£0.477m, of which £0.419m relates to the Council.

7.3 The scheme modelling and associated indicative costs and/or savings do not include provision for 2025/26 Council Tax increases, for DWP up-ratings, or for any increase in CTS that may arise through additional take-up or increased entitlement, generated by the economy or by the governments 'Move to Universal Credit' and Pensions Credit take-up programmes.

Consultation Response

7.4 The consultation exercise took place between 6th November 2024 and 16th December 2024

7.5 The precept Police and Fire authorities were consulted and had no specific feedback on the proposals.

7.6 Wider public consultation throughout the 6 weeks, included publicity by press release, a direct email campaign to 45,000 residents, the website and social media. Direct mail to local partners and the voluntary sector.

7.7 Feedback from the public consultation is summarised below (note where these do not add up to 100% there were responses in the Neither agree nor disagree category which is not shown here but can be found in Appendix 1.

Proposal	Agree	Disagree
Review the level of CTS for working age claimants	44.4%	38%
Reduce the maximum amount of CTS to that of a band B property	58%	28%
Introduce a minimum threshold in respect of in year changes to entitlement	69%	12%
Protect families by disregarding Child Benefit and Child Maintenance	63%	21%
Protect lone parents with children under the age of 5 by maintaining maximum entitlement at 80%	66%	16%
Protect households with disabilities by disregarding disability benefits	73%	14%
Protect War Pensioners by disregarding War Pensions and War Disablement Pensions	71%	9%
Protect full time carers from additional cuts by disregarding Carers Allowance.	71%	17%
Reduce the capital limit to £6,000	51%	33%
Raise the minimum weekly award of CTS to £5.00	52%	26%
Introduce a Minimum Income Floor for Self Employed Applicants	48%	20%

The full consultation report is attached as Appendix 1.

8. **Commissioner comments**

8.1 The Commissioners note the consideration of the various aspects of the Council Tax support scheme following the recent consultation.

9. **Finance colleague comments (including implications and value for money)**

9.1 The Local Government Finance Act 1992 requires the billing authority to determine the tax base to be used in the calculation of the level of Council Tax. This tax base must be calculated in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 and be determined between 1 December and 31 January each year.

9.2 The CTS scheme forms a key component of this calculation and consequently any change to the scheme approved by Full Council on 27 January 2025 will need to be reflected in the final determination of the 2025/26 tax base.

9.3 Based on the current draft tax base projections underlying the Budget Strategy Update also reported to January Executive Board and an assumed 4.99% increase in 2025/26 Band D the increase in the authority's budgeted council tax requirement (CTR) from the recommended CTS scheme adjustments will likely be c£0.419m.

9.4 In addition to the council tax raised for the City Council the increased taxbase arising from the proposals is estimated to see additional funding for Nottinghamshire Police

& Crime Commissioner and Nottinghamshire Fire & Rescue. A total increase in additional council tax arising from the proposals of c£0.5m.

- 9.5 It should be noted the financial impact set out above is an estimate and is based on the CTS cohort at a point in time. The CTS cohort changes regularly in line with the individual circumstances of those eligible for the scheme. Therefore, the actual impact on the Council's collection fund will not be known until the end of the 2025/26 financial year. The position, including the collection rate – which is typically lower for the CTS cohort than the overall collection rate - will be regularly reviewed throughout the financial year.
- 9.6 It should be noted the estimated additional council tax raised arising from the proposals is based on total collection rates in accordance with the prescribed methodology for calculating the taxbase. The collection rate for the CTS cohort in the first year is likely to be lower than the total collection rate. Historic experience indicates a 74% collection rate in the first year for the CTS cohort.

Ian Fair, Senior Accountant MTFP – Corporate Funding
Glenn Hammons – Assistant Director (Technical Finance) 21 January 2025

10. **Legal colleague comments**

- 10.1 The Local Government Finance Act 1992 (as amended) and associated regulations made under the Act sets out the way in which a Billing Authority can produce a Local Council Tax Support Scheme. There are detailed provisions about the contents of such a scheme contained within the Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012 and regulations as updated on an annual basis to reflect consistency with changes in social security legislation
- 10.2 Local Authorities are required to make any changes to their scheme by 11 March each year for the forthcoming financial year in which the changes will take effect. It is of note that the Council have not reviewed its Council Tax Support Scheme since it was introduced in 2013.
- 10.3 There is a requirement within the legislation to consult on the proposed Council Tax Support Scheme and in accordance with consultation principles the responses to the consultation must be considered and taken into account by the decision maker. This paper sets out the consultation that was undertaken and the responses.

Beth Brown, Director of Legal and Governance, 13 January 2025

11. **Other relevant comments**

11.1 N/A

12. **Crime and Disorder Implications (If Applicable)**

12.1 N/A

13. **Social value considerations (If Applicable)**

13.1 N/A

14. Regard to the NHS Constitution (If Applicable)

14.1 N/A

15. Equality Impact Assessment (EIA)

15.1 Has the equality impact of the proposals in this report been assessed?

Yes



Attached as Appendix 3, and due regard will be given to any implications identified in it.

16. Data Protection Impact Assessment (DPIA)

16.1 Has the data protection impact of the proposals in this report been assessed?

No



A DPIA is not required because this does not include any personal information.

17. Carbon Impact Assessment (CIA)

17.1 Has the carbon impact of the proposals in this report been assessed?

No



A CIA is not required because this is in relation to an administrative process

18. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

18.1 None

19. Published documents referred to in this report

19.1 None

**Councillor Linda Woodings
Executive Member Finance and Resources**