

# Report to Cabinet

**11 September 2024**

<b>Subject:</b>	Council Tax Reduction Scheme consultation 2025/26
<b>Cabinet Member:</b>	Councillor Paul Moore – Cabinet Member for Finance and Resources
<b>Director:</b>	Alex Thompson – Executive Director of Finance and Transformation
<b>Key Decision:</b>	Yes
<b>Contact Officer:</b>	Ian Dunn Revenues and Benefits Service Manager <a href="mailto:ian_dunn@sandwell.gov.uk">ian_dunn@sandwell.gov.uk</a>

## 1 Recommendations

- 1.1 That approval be given for the Council to consult with the major precepting authorities and to undertake a six-week public consultation (and other affected parties) on the proposed changes which the Council will consider to the Working Age Council Tax Reduction (CTR) scheme for 2025/26 as follows:
- To introduce a minimum payment (limiting the level of support available to working age applicants);
  - To remove the carer allowance disregard;
  - To remove the earnings disregard; and
  - To cap the Council Tax band used to calculate CTR.
- 1.2 That the Executive Director of Finance and Transformation submit a further report on the outcome of the consultation referred to above in 1.1 prior to the adoption of a final CTR scheme for 2025/26.

## 2 Reasons for Recommendations

- 2.1 Council Tax Reduction was introduced by the Local Government Finance Act 2012 and placed a duty on all billing authorities to create a local scheme for all working age applicants. Pension age applicants are covered by a scheme prescribed by Central Government and they are not affected by the recommendations in this report.
- 2.2 Each year the Council is required to review its Council Tax Reduction Scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it. Any new scheme must be approved by full Council no later than 11th March prior to the new financial year.
- 2.3 To support the Council's duty to provide a balanced budget, the Council is proposing to make changes to its working age Council Tax Reduction scheme for the financial year 2025/26 which will reduce the overall cost.
- 2.4 If the proposed changes are made to the Council Tax Reduction scheme for 2025/26, Sandwell will still have a generous scheme compared to other Local Authorities
- 2.5 It should be noted that the Council is unable to make any changes to the scheme for pension age applicants.

## 3 How does this deliver objectives of the Council Plan?

Growing Up in Sandwell	CTR provides financial support to families with children
Living in Sandwell	CTR provides financial support with Council tax to support our most vulnerable households Tackling poverty helps to create more resilient communities.

## 4 Context and Key Issues

- 4.1 The existing CTR scheme provides 100% support for working age residents that receive one of the following benefits or are on a low income:
  - Income Support;
  - Income-Based Jobseekers Allowance.
  - Income-Related Employment Support Allowance (ESA)

- 4.2 The CTR scheme for working age resident's provides £19m in reductions to Council Tax payments per year and supports 18,400 households.
- 4.3 There are currently 11,900 households (64%) who receive 100% CTR support. The Council is reviewing the scheme as analysis shows that the current scheme exceeds the levels of support provided on a national and regional basis.

#### Introducing a Minimum payment

- 4.4 When Council Tax Reduction was introduced, due to the reduction in monies from Central Government , the majority of authorities introduced a minimum payment for working age applicants. Minimum payments range from 5% to 50% with the most common being 20% to 30%.
- 4.5 Sandwell Council decided in 2013 that it was possible to continue with no minimum payments to maximise the level of support (subject to the circumstance of the applicants).
- 4.6 If a minimum payment was introduced this will affect all 18,400 working age households who currently claim Council Tax Reduction.
- 4.7 The first option is to remove the 100% CTR support and introduce a 15% minimum payment except where there is a child aged 5 or under in the property, in which case CTR will continue to 100%. This would save £1.5m approximately on the cost of the CTR scheme.

#### Removal of the Carer's Allowance Disregard

- 4.8 The second option is to remove the carer's allowance disregard which currently amounts to £81.90 per week. The current disregard in the Council's scheme exceeds that available in Universal Credit, Housing Benefit or Council Tax reduction for pensioners. This is beneficial to some residents but is not supported by most Council's regionally or nationally.
- 4.9 The removal of the disregard would affect 1800 residents and could save £800k on the cost of the CTR scheme.

## Removal of the earnings disregard

- 4.10 Currently any applicant (or partner if they have one) who is in receipt of Universal Credit and who also has earnings will have the first £25 of any earnings disregarded. This is beneficial to some residents but is not supported by most Council's regionally or nationally.
- 4.11 The third option is to remove the earnings disregard of £25 per week in these circumstances. Residents who are in receipt of both CTR and Universal Credit already receive a disregard off their earning so, in effect, this further disregard provided them with 2 disregards from their earnings, whereas an applicant who is not in receipt of Universal Credit would just receive a single disregard.
- 4.12 Making this change would affect 1400 residents and could save £250k on the cost of the CTR scheme.

## Capping Support to Council Tax Band B levels

- 4.13 The fourth option is to cap the Council Tax band used to calculate CTR. Currently it is capped at Band C. This in effect means that where an applicant resides in a dwelling which is at Band D or higher, their Council Tax Reduction would be calculated based on a band C level.
- 4.14 The option is to cap it at Band B. 76% of properties in Sandwell are in Band A or B. This would affect 1036 residents and would save £260k on the cost of the CTR scheme.

## **5 Alternative Options**

- 5.1 Any changes to Council Tax Reduction are difficult and clearly affect the households with the lowest incomes.
- 5.2 The Council could keep the CTR scheme the same as it is for 2025/26 but it would have to make service reductions or find alternative funding for services from elsewhere.

## 6 Implications

<b>Resources:</b>	The current cost of CTR for working age residents is £19m per year. If changes are made to the CTR scheme for 2025-26 and residents have to pay more, this will reduce the cost of CTR but will require additional resource to collect outstanding Council tax, and other Local Authorities who have introduced a minimum CTR payment have seen reductions in collection rates
<b>Legal and Governance:</b>	<p>Schedule 1A (3) of the Local Government Finance Act 1992, states that Before making a scheme, the authority must:</p> <ul style="list-style-type: none"> <li>• consult any major precepting authority which has power to issue a precept to it,</li> <li>• publish a draft scheme in such manner as it thinks fit, and</li> <li>• consult such other persons as it considers are likely to have an interest in the operation of the scheme.</li> </ul> <p>In addition, in order to set a new scheme, the Council is obliged to make a resolution by 11<sup>th</sup> March of the year prior to the scheme coming into place</p>
<b>Risk:</b>	Any reduction in CTR will save on the cost of CTR and this will need to be paid/collected from residents
<b>Equality:</b>	Equality impact assessments (EIA) will need to be carried out if there are any changes to the CTR scheme
<b>Health and Wellbeing:</b>	Any reduction in CTR could have an effect on residents' health and wellbeing as they will have less disposable income
<b>Social Value:</b>	No impact
<b>Climate Change:</b>	No impact
<b>Corporate Parenting:</b>	No impact

## 7. Appendices

None

## 8. Background Papers

None