

Cabinet

13 February 2024

Council Tax Reduction Scheme 2024/2025

Portfolio Holders: Councillor Zoë Van Dyke, Portfolio Holder for Business Management

Report from: Phil Watts, Chief Operating Officer

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Summary

Members will be asked to consider the proposed changes to the Council Tax Reduction (CTR) Scheme and to recommend to Council a Council Tax Reduction Scheme for the 2024/25 financial year.

1. Recommendations

- 1.1. Cabinet is asked to recommend that Council adopts the Council Tax Reduction Scheme (CTRS) 2024/25, reflecting income bands updated for Consumer Price Inflation, as set out in Appendix 1 to this report.
- 1.2. Cabinet is asked to note the impact of the Care Leavers Discretionary Council Tax Policy agreed in February 2023 as detailed within paragraph 4.4 of this report.

2. Suggested reasons for decisions

- 2.1. The CTR Scheme continues to balance the need for supporting those currently in receipt of council tax reductions and the ability of the Council to fund the scheme within the current budgetary constraints.

3. Budget and policy framework

- 3.1. Section 13A(1)(a) of the Local Government Finance Act 1992 prescribes that Medway Council is required to have a Council Tax Reduction Scheme that is approved annually by Full Council.
- 3.2. The Council is under a legal duty under Schedule 1A to the Local Government Finance Act 1992 to consider each year whether to revise its Council Tax Reduction Scheme or to replace it with another scheme. Schedule 1A also provides that any revision to the Scheme, or any replacement scheme, must be made no later than 11 March in the financial year preceding that for which

the revision or replacement scheme is to have effect. Any revision to the CTRS or a replacement CTRS must be the subject of consultation.

4. Background

- 4.1. Council Tax Benefit was abolished as a national benefit and Councils were required to establish local support for Council Tax from April 2013 and Medway implemented a local Council Tax Reduction Scheme. During 2021, the Council consulted on a new banded scheme which was introduced from 1 April 2022, following full Council approval on 24 February 2022.
- 4.2. The Scheme and its operation have been reviewed and no significant changes are proposed, other than those prescribed in law or changes that are already permissible within the parameters of the currently agreed Scheme.
- 4.3. The current scheme provides approximately £14.5million of support by reducing Council Tax liabilities for those eligible. Elsewhere on this agenda, the Proposed Budget for 2024/25 includes a proposal to increase the Council Tax for Medway by 4.994%. If that recommendation is accepted by Cabinet and Council, the cost of Medway's CTRS scheme will increase to an estimated figure £15,623,614.
- 4.4. Alongside the Council Tax Reduction scheme, Cabinet agreed to implement a permanent discretionary policy for care leavers which sits outside of the Council tax Reduction scheme. The policy forms a significant part of the Council's Local Offer to care leavers and provides vital support. The 2022/23 cost was £75,927 and has increased to £133,475 in 2023/24. Members will need to note that any increase in Council Tax or reduction in Council Tax Reduction will increase the cost of the policy.

5. Options

- 5.1. Our current Scheme prescribes, within Schedule 1, that the authority may increase the income bands within the Scheme on an annual basis by the appropriate level of inflation. The level is measured by the Consumer Price Index (CPI) at 1 October preceding the effective financial year, rounded to the nearest pound. The CPI for October 2023 was 4.6%. Working Age Welfare Benefits are set to increase by 6.7%.
- 5.2. Currently the income bands within the Scheme are set as follows; all income bands relate to income received per week:

Band/Discount percent	Single person	Couple with no children or young person	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
Band 1* 65%	£0 to £105.99	£0 to £143.99	£0 to £199.99	£0 to £266.99
Band 2 55%	£106 to £155.99	£144 to £193.99	£200 to £255.99	£267 to £321.99

Band 3	45%	£156 to £205.99	£194 to £243.99	£256 to £310.99	£322 to £377.99
Band 4	35%	£206 to £255.99	£244 to £293.99	£311 to £366.99	£378 to £432.99
Band 5	20%	£256 to £299.99	£294 to £343.99	£367 to £421.99	£433 to £499.99
Band 6	0%	£300+	£344+	£422+	£500+

*Where any applicant or their partner are in receipt of Income Support, Income-Based Jobseeker's Allowance or Income-Related Employment and Support Allowance, a Band 1 discount will be given.

5.3. **Option 1: Retain the current income bands**

- 5.3.1. If Medway were to retain the current income bands, some claimants will find that their incomes increase by 6.7% which could cause them to move into a band that offers a lower level of support with their Council Tax. This would mitigate the positive impact to them of the increase in benefits and could cause financial hardship.
- 5.3.2. Pension age claimants would be unaffected as the Scheme and values are prescribed by the government.
- 5.3.3. Working age claimants on passported benefits (Income Support, Income Based Jobseekers Allowance and Income Related Employment and Support Allowance) will see no difference as Medway's current Scheme prescribes that they will receive 65% support. However, other working age claimants in receipt of benefits such as Universal Credit will be affected.
- 5.3.4. Some residents receiving Council Tax Reduction would see reduced levels of support together with an increased demand for payment should the proposed increase to Council Tax be agreed.

5.4. **Option 2: Uprate the Income Bands in the Scheme by Inflation.**

- 5.4.1. Whilst October's CPI is lower than September's CPI used by the government to uprate incomes, Medway's income bands are broad which means, in real terms, most residents would not see any change to the level of support they are receiving. If there are residents affected by any band changes, the Exceptional Hardship Scheme is available to support those who are struggling.
- 5.4.2. The Benefits and Welfare Service have modelled the financial implications for the collection fund of uprating the bands by 4.6% alongside the increase in benefit income of 6.7% and have concluded the financial effect to be approximately £300,000. The overall cost of the scheme will be as detailed in paragraph 4.3.
- 5.4.3. The bands would increase as set out overleaf, with bands referencing income per week:

Band/Discount percent	Single person	Couple with no children or young person	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
Band 1* 65%	£0 to £110.99	£0 to £150.99	£0 to £208.99	£0 to £278.99
Band 2 55%	£111 to £162.99	£151 to £202.99	£209 to £267.99	£279 to £336.99
Band 3 45%	£163 to £214.99	£203 to £254.99	£268 to £324.99	£337 to £394.99
Band 4 35%	£215 to £267.99	£255 to £307.99	£325 to £383.99	£395 to £452.99
Band 5 20%	£268 to £313.99	£308 to £359.99	£384 to £440.99	£453 to £522.99
Band 6 0%	£314+	£360+	£441+	£523+

6. Advice and analysis

- 6.1. This report concludes that income bands should be updated by October's CPI to support Medway's most vulnerable residents.
- 6.2. The proposed Medway CTRS scheme for 2024/25, reflecting these updated income bands, is presented at Appendix 1 to this report.
- 6.3. A Diversity Impact Assessment has been completed and can be found at Appendix 2.

7. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The number of care leavers continues to increase	Expenditure has increased from 2022-23 to 2023-24.	Ensuring the policy is adhered to by using statutory reductions before discretionary.	DIV
Forecast cost of scheme falls short of estimate.	Claimants may have reduced benefits 'unnecessarily'.	Use of data modelling tools and data analysis	DIII
Forecast cost of scheme excessive	Unidentified increase in service demand	Use of data modelling tools and data analysis	DII
Effect on council tax collection	If bands are not increased there is the potential for increased arrears. Potential for	Increasing the income bands will mitigate the effect of this risk.	BII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	arrears not to be cleared within the relevant financial year leading to delays in collecting the following year's liability.		

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

8. Consultation

- 8.1. The ability to uprate the income bands in line with CPI is set out within the existing Scheme and as such there is no requirement to consult on the change proposed in this report.

9. Financial implications

- 9.1. The increases in support set out and recommended in this report are considered to represent modest cost increases to the Council but would provide considerable support to our most vulnerable residents, particularly given the current economic climate.
- 9.2. The cost of the CTRS in 2023/24 is £14.5million. Elsewhere on this agenda, the Proposed Budget for 2024/25 includes a proposal to increase the Council Tax for Medway by 4.994%. If this recommendation is accepted by Cabinet and Council, the cost of Medway's CTRS scheme will increase to an estimated £15,623,614 for 2024/25.
- 9.3. However, the financial impact of uprating the income bands within the Scheme is estimated to cost approximately £300,000 at 4.994%. This cost will not fall to the general fund in 2024/25 as it will not materialise until setting the budget for 2025/26 and will manifest in the surplus or deficit on the Collection Fund at the end of 2024/25.
- 9.4. Care leavers will be expected to cost the Council at least £140,000 to £150,000 during 2024/2025 if current trends continue and an increase to Council Tax is agreed.

10. Legal implications

- 10.1 The Council is under a legal duty under Schedule 1A to the Local Government Finance Act 1992 to consider each year whether to revise its council tax reduction scheme or to replace it with another scheme. Schedule 1A also provides that any revision to the scheme, or any replacement scheme, must be made no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

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Appendices

Appendix 1 – Draft Council Tax Reduction Scheme 2024/2025 (with uprated income bands)

Appendix 2 – Diversity Impact Assessment CTRS 2024

Background Papers:

None