

Report title	Council Tax Support Review
Report author	Ed Bowen Housing Benefit Technical Manager
Department	Digital & Customer Services
Exempt?	No

Purpose of report:

- **To resolve**

Synopsis of report:

To present three options for the Runnymede Borough Council working age Council Tax Support scheme and take forward for consultation with preceptors and the public, with the view of introducing a local scheme for the financial year 2025/2026.

Council Tax Support is the reduction available to Council Taxpayers to help them meet their Council Tax liability on the property they occupy as their sole or main residence.

Pension age residents are regulated by national rules in England and are not affected by any changes in this review.

Recommendation(s):

1. The Committee to consider the relevant options on changes to Runnymede's Council Tax
2. Support Scheme and if a change is required, start the consultation with stakeholders in July 2024 on any preferred options before deciding on which scheme to implement from 1 April 2025.
3. The Committee approve the expenditure of £5,000 from existing budgets to conduct a thorough consultation with stakeholders on any proposed changes.
4. Officers to report back to committee in November 2024 on the results of the consultation and how the new Council Tax Support scheme will be implemented from April 2025.

1. Context and background of report

- 1.1 Council Tax is collected on behalf of Runnymede Borough Council, Surrey County Council and Surrey Police. The cost of Council Tax Support is shared in proportion to the amount collected:

Preceptor	Runnymede 8.38%	Surrey County 77.38%	Police 14.24%	Council Tax Support
Current Cost 2024/25	£358,359	£3,309,044	£608,953	£4,276,356

- 1.2 This report looks at possible changes to the working age Council Tax Support scheme (CTS), which was last reviewed in December 2023 and came into effect on 1st April 2024.
- 1.3 The rollout of Universal Credit (UC) is replacing older benefits like Housing Benefit and Tax Credits. Residents currently receiving these will be invited to switch to Universal Credit. This shift in caseload presents a chance to streamline administration, reducing costs, and create a more transparent system.
- 1.4 The upcoming changes to Universal Credit's Limited Capability for Work (LCW) and Limited Capability for Work-Related Activity (LCWRA) categories will affect how we handle certain residents within our current system. To ensure a smooth transition, we need to carefully analyse the impact on our caseload in light of the new legislation and data provided by Universal Credit assessors.
- 1.5 If a local authority wishes to make fundamental changes to its Council Tax Support scheme, it needs to consult the public and other affected groups. The scheme also needs to be approved by Full Council.
- 1.6 To evaluate the financial impact of potential Council Tax Support changes, the Council has invested in specialised modelling software from NEC. This powerful tool allows us to analyse the overall annual cost implications and assess the impact on individual claims.
- 1.7 However, it does have limitations in that it is only accurate as a snapshot of the existing caseload on a given day. The Benefit team are constantly processing new claims and changes in circumstances and so from day to day, the figures will change due to the turnover in caseload and factors like changes in discounts, income, savings and households.
- 1.8 It's important to note that the modelling tool can only assess the impact of changes on our current caseload. While it can't predict future entitlements, it provides valuable insights into the potential effects on existing recipients. Furthermore, any scheme considered for implementation must be compatible with the software's operating system limitations.
- 1.9 The proposed consultation options are compatible with our current NEC operating system. However, any significant modifications to these options may require additional software features. Implementing such features might fall outside the scope of our current maintenance and licensing agreements, potentially incurring additional costs or one that cannot be administered electronically.
- 2. Report and, where applicable, options considered and recommended.**
- 2.1 The previous review made some changes to the former scheme, which utilised the data feed from Department for Work & Pensions of Universal Credit claims and made the scheme more generous by lowering the minimum award from £10 to £5.

- 2.2 The new Council Tax Support scheme implemented from 1 April 2023 has delivered everything members expected from the changes but within a cost that the Council can afford.
- 2.3 The Council is able to administer the scheme in a very efficient manner eliminating the requirement for separate formal applications which has resulted in a significant reduction in times from 27 days to 19 days for new claims. The legislative requirement is to process new claims within 28 days.
- 2.4 Processing changes in circumstances has also improved with a reduction to 3 days from 9 days bringing the Council in line with national benchmarking requirements. These improved processing times means that the Council can get support to those who need it when they need it.
- 2.5 This review looks at three options:

Option 1	Retain the scheme in its current form.
Option 2	Make changes to the existing scheme to deliver increased or maximum entitlement whilst improving efficiency
Option 3	Move to a Banded scheme

- 2.6 **Option 1** is to retain the scheme in its current form. The current scheme is based on the original means tested Council Tax Benefit. It uses premiums and allowances as a measure of a claimant's financial need based on their household composition, age and if anyone in the household has a disability.
- 2.7 It was first introduced in April 2023 to accommodate the move to Universal Credit. Since then, we have had no appeals to the Valuation Tribunal service and few complaints. A further review was conducted in November 2023 for 2024/25 financial year which confirmed it should remain in place for another financial year, and for the reasons set out above is an option open to consideration.
- 2.8 The spend for the current scheme is:

2023/24	Number of live claims	Amount of CTS
Pensionable	1379	£1,984,713.84
Vulnerable	966	£1,384,309.55
Working Age other	593	£687,915.12
TOTAL	2938	£4,056,938.51

- 2.9 Council Tax was increased by 4.99% from 1st April 2024, and so this is reflected in the increased expenditure at the start of April 2024.

2024/25	Number of live claims	Amount of CTS
Pensionable	1307	£1,957,338.14
Vulnerable	1079	£1,622,340.41
Working Age other	581	£696,677.69
TOTAL	2967	£4,276,356.24

- 2.10 The figures above are taken from the initial awards made in February of each year when the Council Tax bills were calculated.
- 2.11 They show that although the pensioner and other working age group has reduced, the number of claims in the vulnerable group has increased.

- 2.12 “Move to Universal Credit” is the process of migrating residents onto Universal Credit and is drawing more people into Council Tax Support.
- 2.13 An applicant is considered vulnerable under the current definition if they or their partner:
- Receives an enhanced disablement premium or severe disablement premium.
 - Receives Universal Credit Limited Capability for Work (as defined by Employment and Support Allowance regulations 2008).
 - They have a dependent receiving a disabled child premium.
- 2.14 The work capability assessment (WCA) is being abolished. Instead, there will be a single assessment—the Personal Independence Payment assessment—which will determine both Personal Independence Payment eligibility and Universal Credit health element eligibility.
- 2.15 This will, overtime reduce the number of people in the vulnerable group, unless they claim Personal Independence Payment.
- 2.16 **Option 2** is to make changes to the existing scheme to deliver efficiencies in administration and address the change to Limited Capability for Work and Limited Capability for Work Related Activity elements in Universal Credit and the impact on eligibility to the vulnerable category.
- 2.17 The proposed redefinition of 'Vulnerable' for Council Tax Support eligibility would expand the category to include households currently entitled to some Council Tax Support but potentially eligible for more support. This would apply to households where the applicant, their partner, or a dependent receives:
- An enhanced disablement premium or severe disablement premium.
 - Universal Credit Limited Capability for Work (as defined by Employment and Support Allowance regulations 2008).
 - A disabled child premium.
- 2.18 From April 2025, the work capability assessment (WCA) is being phased out and a single assessment, the Personal Independence Payment assessment will determine eligibility for both Personal Independence Payment and Universal Credit Health Element.
- 2.19 A revised Work Capability test will determine eligibility for Universal Credit and Employment Support Allowance
- 2.20 The new Universal Credit Health Element replaces the current Limited Capability for Work-Related Activity element of Universal Credit (UC).
- 2.21 Those with a ‘limited capability for work-related activity’, will receive a higher benefit amount and won’t be required to participate in work related activity.
- 2.22 Those with ‘limited capability for work’ will have no work search conditionality but are expected to undertake work related activity.
- 2.23 The new system will be rolled out to new claims only on a staged, geographical basis, starting no earlier than 2026/27. Existing Universal Credit claimants will transition to the new system after that.
- 2.24 To be eligible for the Universal Credit health element, the claimant needs to meet the following criteria:

- Receive the Universal Credit standard allowance.
- Receive any element of Personal Independence Payment.
- The Universal Credit health element aims to support individuals with health conditions or disabilities.
- The Universal Credit health element will cease if the health condition improves significantly (making them ineligible for Personal Independence Payment) or as earnings increase and Universal Credit tapers away.

2.25 For the purposes of our Council Tax Support scheme, this will impact our ability to identify new customers in the vulnerable group, if Limited Capability for Work & Limited Capability for Work Related Activity no longer appear in the Universal Credit data.

2.26 The proposed changes are to remove Limited Capability for Work & Limited Capability for Work Related Activity from the vulnerable group:

Proposed change	Number of households affected	Change in the annual amount of CTS
Redefine Vulnerable category	124 in total would see a reduction of which 20 would no longer have any entitlement	£28,758 reduced CTS

2.27 Review maximum awards the minimum weekly Council Tax Support is £5 per week. The maximum entitlement is either 80% of Band D or 90% of Band D, for those in the vulnerable group.

2.28 If we choose to remove Limited Capability for Work and Limited Capability for Work Related Activity from the vulnerable group, another option is to remove the vulnerable group altogether and make the maximum entitlement uniform.

2.29 In 2023 we equalized the minimum weekly entitlement to £5 regardless of vulnerability.

2.30 The table below shows the effect of increasing the maximum entitlement to either 100% or equalizing it at 90% of Band D for all, regardless of vulnerability and without making any other changes to our existing scheme.

Proposed change	Number of households affected	Change in the annual amount of CTS
Retain minimum £5 and increasing maximum to 90% of Band D with no Vulnerable category	1,095	£98,135 increase in annual CTS
Retain minimum £5 and increasing maximum to 100% of Band D with no Vulnerable category	1,095	£388,225 increase in annual CTS

2.31 To make the scheme affordable at 90% maximum entitlement and to remain within the current expenditure of £4.2m, we would need to look at making changes to redistribute entitlement.

- Increase Non-Dependant deductions to flat rates: £10 per week for those not in work and £20 for those in work

- Remove the Additional Earnings Disregard from all working age claims.
- Set a capital limit of £6,000

Proposed change	Number of households affected	Change in the annual amount of CTS
Retain minimum £5 and increasing maximum to 90% of Band D with no Vulnerable category and other changes listed above: <ul style="list-style-type: none"> • Flat rate non-dep deductions • Remove the Additional Earnings Disregard • Set a capital limit of £6,000 	999 customers would see no change 483 customers would see an increase in their entitlement 166 customers would see a fall in their entitlement 60 customers would lose their entitlement	£21,343 increase in annual CTS

- 2.32 **Option 3** is to introduce a banded Council Tax Support scheme. This is a scheme which calculates entitlement based upon which 'band' a claimant's income falls within. The advantage of a banded scheme is that minor changes in the claimant's income would not necessarily change their Council Tax Support entitlement. This assumes their income fell within the same band.
- 2.33 When a Universal Credit claimant is also in employment, their award will be recalculated every month based upon Real Time Information. This is received directly from Her Majesty's Revenue and Customs (HMRC) detailing a claimant's gross and net earnings for that period.
- 2.34 Although, from April 2023, we introduced a de minimis rule to our Council Tax Support scheme to eliminate some of the minor adjustments each month caused by fluctuations in earnings, a Banded scheme would deliver a more transparent scheme that applies equally to those in receipt of Universal Credit.
- 2.35 The proposal is to introduce a banded scheme for Universal Credit claimants only. Currently 63% of the working age Council Tax Support caseload are already in receipt of Universal Credit. This number will only increase and the Department for Work & Pensions have stated that they anticipate the managed migration of existing benefit claimants will be completed by 2026.
- 2.36 By only introducing a banded scheme for claimants in receipt of Universal Credit, it allows us to make the banding and the calculation of the award more straightforward. This is because we can be certain that Universal Credit claimants who have additional needs will be getting additional Universal Credit to reflect this. This would include those claimants who are disabled or have children or childcare costs.
- 2.37 We have an opportunity to simplify our Council Tax Support scheme and leave it more transparent, easier to administer and reactive to residents' changes in Universal Credit payments. By disregarding a claimant's additional needs and the income they receive from Universal Credit, the assessment would be based purely on whether they were in employment and how much they were earning.
- 2.38 Purely for demonstration purposes an example banding is set out below:

Working Age in receipt of Universal Credit	
Monthly income:	Required Weekly Contribution
Monthly income less than £392.12:	No contribution
Monthly income of £392.13 to £712.79:	Contribution of £7.05
Monthly income of £712.80 to £1069.42:	Contribution of £14.10
Monthly income of £1069.43 to £1426.06:	Contribution of £21.20
Monthly income of £1426.07 to £1782.69	Contribution of £35.10
Monthly income of £1782.70 to £3347.46	Contribution of £49.15
Monthly income of £3347.47 and above:	Full Council Tax payable

2.39 Purely for demonstration purposes, the example banding would result in:

Proposed change	Number of households affected	Change in the amount of CTS
Banded scheme 90% maximum <ul style="list-style-type: none"> Flat rate Non-Dependant deductions: £5 per week for those not in work and £10 for those in work Remove the Additional Earnings Disregard from all working age claims 	1,041 customers would see no change 535 customers would see an increase in their entitlement 102 customers would see a fall in their entitlement 30 customers would lose their entitlement	£95,426 increase in annual CTS

Proposed change	Number of households affected	Change in the amount of CTS
Banded scheme 100% maximum <ul style="list-style-type: none"> No £5 minimum Flat rate Non-Dependant deductions: £5 per week for those not in work and £10 for those in work Remove the Additional Earnings Disregard from all working age claims 	3 customers would see no change 1,690 customers would see an increase in their entitlement 15 customers would see a fall in their entitlement	£497,310 increase in annual CTS

2.40 To make this type of scheme affordable at 90% maximum entitlement and to remain within the current expenditure of £4.2m, we would need to look at making changes to redistribute the entitlement.

2.41 Increase Non-Dependant deductions to flat rates: £10 per week for those not in work and £20 for those in work

- Remove the Additional Earnings Disregard from all working age claims.
- Set a capital limit of £6,000
- The alternative, is to alter the earnings bands and or the claimants contribution towards the council tax.

2.42 The proposed change

Proposed change	Number of households affected	Change in the amount of CTS
<p>Banded scheme 90% maximum</p> <ul style="list-style-type: none"> • Flat rate Non-Dependant deductions: £10 per week for those not in work and £20 for those in work • Remove the Additional Earnings Disregard from all working age claims • Capital Limit £6,000 	<p>998 customers would see no change</p> <p>486 customers would see an increase in their entitlement</p> <p>156 customers would see a fall in their entitlement</p> <p>68 customers would lose their entitlement</p>	<p>£24,035 increase in annual CTS</p>

3. Policy framework implications

3.1 Council Tax Support can influence the Corporate Business Plan in the following ways:

3.2 Responding to climate change – reducing the number of letters and Council Tax bills issued to residents.

3.3 Supporting the health and wellbeing of local people: providing the most vulnerable residents with a safety net to ensure their Council Tax liability is met

3.4 Encouraging residents' ability to effect change locally; any changes would require consultation with residents, Preceptors, Surrey Welfare Rights Unit and Citizens Advice.

3.5 Driving economic development in the Borough: maximising the household income of our residents helps pump money back into the local economy.

3.6 Organisational development; working collaboratively with colleagues in Revenues and Customer Services to deliver a scheme fit for the future.

4. Resource implications/Value for Money

- 4.1 We need to assess the financial feasibility of the proposed schemes. This includes determining whether the Council can afford to implement either an equalised entitlement scheme or an increased maximum entitlement scheme.
- 4.2 In determining any changes, members need to be mindful of the impact on the Council Tax Base:
- 4.3 The Council Tax Base is used to calculate the amount of Council Tax charged per household and how much is raised for the preceptors (Surrey County Council, Police and Fire authority).
- 4.4 It is important to understand that as Council Tax Support increases the less Council Tax revenue becomes available and the shortfall has to be made up by the remaining Council Taxpayers.
- 4.5 Over the past few years the Council has chosen to increase the Council Tax by £5 on Band D. For every £5 increase in the Council Tax liability, 37 pence went to covering that increase in Council Tax Support, leaving £4.63 to be spent on other services.
- 4.6 The 2024/25 council tax raises £190.45 on each Band D for all our services, £9.91 of that goes towards the cost of Council Tax Support. Therefore, to provide a more generous Council Tax Support scheme, more of that revenue would be drawn away from other services.
- 4.7 In moving to 100% entitlement this may reduce the cost of recovery of Council Tax for small value bills.
- 4.8 A consideration has been the Council Tax collection rate. For 2023/24 year, the Council Tax collection rate was 98%.
- 4.9 In 2023/24 we issued 1,968 liability orders in total irrespective of whether the resident was in receipt of Council Tax Support or not.
- 4.10 The increased cost of each option is as follows (the effect on precepting authorities is set out in appendices:

Option	Summary	No of working age claimants affected	No of claimants better off	No of claimants worse off	Increase in costs	Total CTS expenditure
Option 1 No change	Uses minimum £5 and 80% Band D with vulnerable category Flat rate for Non-dependent deductions	Pensioners 1,307 Working Age 1,708 Total 3,015	0	0	No change 2024/25	£4,276,356
Option 2 Equalised scheme	Retain minimum £5 and increasing maximum to 90% of Band D	1,095	1,095	0	£98,135 increase in annual CTS	£4,374,491

	with no Vulnerable category					
Option 2 Equalised scheme	Retain minimum £5 and increasing maximum to 100% of Band D with no Vulnerable category	1,095	1,095	0	£388,225 increase in annual CTS	£4,664,581
Option 2 Equalised scheme	Retain minimum £5 and increasing maximum to 90% of Band D with no Vulnerable category and other changes	709	483	226	£21,343 increase in annual CTS	£4,297,699
Option 3 Banded Scheme	Banded scheme 90% maximum Flat rate Non-Dependant deductions: £5 per week for those not in work and £10 for those in work Remove the Additional Earnings Disregard from all working age claims	667	535	132	£95,426 increase in annual CTS	£4,371,782
Option 3 Banded Scheme	Banded scheme 100% No £5 minimum Flat rate Non-Dependant deductions: £5 per week for those not in work and £10 for those in work Remove the Additional Earnings Disregard from all working age claims	1,705	1,690	15	£497,310 increase in annual CTS	£4,773,666
Option 3 Banded Scheme	Banded scheme 90% maximum	998	486	224	£24,035 increase in annual CTS	£4,300,391

	Flat rate Non-Dependant deductions: £10 per week for those not in work and £20 for those in work Remove the Additional Earnings Disregard from all working age claims Capital Limit £6,000					
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5. Legal implications

- 5.1 The Department for Levelling Up, Housing & Communities (DLUCH), are responsible for The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations. This statutory instrument prescribes the rules for calculating entitlement for pension age Council Tax Reduction.
- 5.2 Amendments in respect of pensioners must be incorporated into any local scheme. Whether these amendments need to be included in a local scheme for working age residents are for each local authority to decide. Delegated Authority to the Chief Financial Officer was approved in December 2022 to enable any legislative changes to be reflected in the current scheme.
- 5.3 Schedule 1A, paragraph 5 of the Local Government Finance Act 1992 states: For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.
- 5.4 In addition to any local variations, each year the Government issues regulations amending the default scheme.
- 5.5 Where local authorities decide to amend/revise their local scheme, as part of that review, formal consultation with stakeholders must be undertaken.

6. Equality implications

- 6.1 An Equality Impact Screening or full impact assessment would be conducted on any proposed changes ahead of a final decision.

7. Environmental/Sustainability/Biodiversity implications

- 7.1 The stabilisation of CTS entitlement will lead to a reduction in printing and postage costs, as will the use of Universal Credit data which will mean less need to contact customers and ask for additional information and evidence.

8. Risk Implications

- 8.1 A risk is to any agreed limit on the cost of the scheme.

- 8.2 To limit the risk, thorough modelling would need to be carried out to measure the effect of the changes and to provide specific case scenarios for the consultation.
- 8.3 A clear set of parameters needs to be established. These include
- Any limit on the cost of the scheme – currently £4.2m
 - Are there any groups that we would want to protect, and what form would that protection take

9. Timetable for Implementation

The consultation will be conducted over the summer with a report back to Committee in the Autumn.

10. Conclusions

- 10.1 This report outlines the rationale for considering changes to the Council Tax Support (CTS) scheme for the 2025/26 financial year. It highlights the need for a formal consultation process to gather feedback from all stakeholders, commencing in July 2024.
- 10.2 The consultation will explore various options for delivering Council Tax Support, taking into careful consideration the Council's current financial constraints and the potential budgetary impact of any proposed modifications.
- 10.3 Following a thorough analysis of the consultation results, a further report will be presented to members detailing the preferred scheme, its financial implications, and the estimated number of claimants affected by the changes. This will enable members to make a well-informed decision on the future of the Council Tax Support program.

11. Appendices

- Appendix 1 – Glossary of terms
- Appendix 2 – Costs
- Appendix 3 – Surrey Benchmarking