

Appendix 2 - Changes to the Council Tax Support Scheme

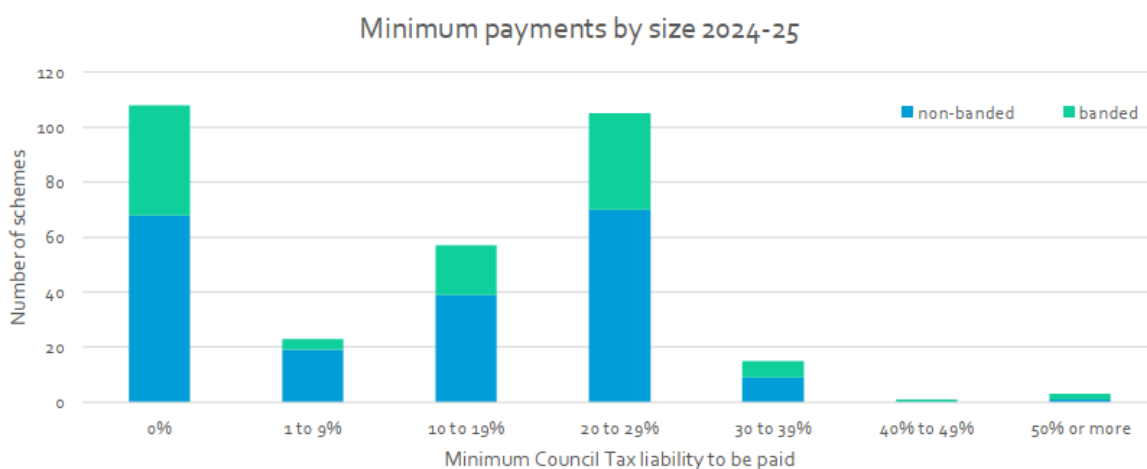
Background

- 1 Council Tax Support (CTS) is a means tested discount to help low-income households with the cost of council tax payments. CTS was previously known as Council Tax Benefit (CTB), and until 2013, was administered by billing authorities on behalf of the Department for Work and Pensions (DWP). The DWP reimbursed local authorities for the cost of CTB in full.
- 2 In 2013 the DWP devolved CTB to local government and required local authorities to design their own schemes of support for working age people. The scheme for people of pension age is administered by local authorities but under a national legislative framework with no local discretion.
- 3 When CTB was localised, the DWP reduced the funding for local authorities by 10 per cent. In Coventry this resulted in a £3 million reduction in funding for a scheme that cost £30 million per annum at the time.
- 4 Like many local authorities, Coventry implemented a scheme in 2013 which broadly mirrored the previous CTB scheme and resisted passing on the 10 per cent cut to recipients of CTS.
- 5 In 2016 Coventry reviewed the scheme, and, due to the ongoing challenges of austerity, reduced the amount of support delivered to working age people. Coventry capped the maximum entitlement that a working age household could receive to 85 per cent of council tax liability. Despite the reduction in support, Coventry's scheme remained one of the more generous schemes with many local authorities having already implemented caps of 80 per cent or less.
- 6 In 2024 Coventry implemented a scheme with a maximum level of support of 80 per cent for people of working age. The Council had consulted on a maximum of 75 per cent support.
- 7 From April 2024, Coventry also implemented a banded CTS scheme with household incomes determining which band of support an applicant would receive. Only those of working age in band 1 would be eligible to receive the maximum 80 per cent support.
- 8 Without changing the current CTS scheme, in 2025/26, Coventry would expect to award approximately £17.3 million in council tax support to 15,300 working age households.
- 9 When the Government initially introduced CTS it was difficult to determine a clear link between the cost of such schemes and the amount of notional funding provided for them within the Local Government Finance Settlement. Due to the passage of time, the degree of funding reductions to local government, the nature of the Local Government Finance Settlement and the Council's status as a 100 per cent Business Rates Pilot authority, any link between the cost and funding for CTS schemes has been further obscured. What is clear is that funding reductions have led to councils having to make difficult decisions on expenditure (such as CTS schemes).

10 The budgetary challenges faced by the Council for 2025/26 requires a review of all expenditure including the option to reduce the amount of support provided through the CTS scheme for working age households.

11 Figure 1 below shows the national profile of CTS schemes by type and minimum payment. The most common level of minimum payment is in the bracket 20 – 29 per cent. Approximately 105 local authorities have no minimum payment.

Figure 1 – CTS schemes by minimum payment and type



12 The consultation will ensure that the Council is compliant with the requirements for any changes to a local CTS scheme. The consultation will also inform any subsequent decision to revise the scheme to facilitate the following (see below paragraph 2.4 – 2.24):

Proposals

Capping maximum support at 75 percent

13 To support the Council to achieve a balanced budget for 2025/26, maximum CTS entitlement for working age households could be reduced from 80 per cent to 75 per cent.

14 A 75 per cent restriction would reduce the notional level of CTS by approximately £1.04 million per annum. The assumed eventual collection rate for balances owed by households in receipt of council tax support is 90 per cent – compared to an eventual collection rate of 98 per cent for all council tax balances. This reduced rate assumption acknowledges the challenge of collecting balances from low-income households. Of the collectible £0.94 million, approximately 13 per cent is shared with precepting authorities and therefore the net benefit for the Council is £0.85 million.

15 Tables 1 and 2 below set out the high-level impact of a reduction in support by income band

Table 1 – CTS reductions by income band

Band	Weekly excess income threshold	CTS award (% of council tax bill)	Number of households
1	£0 to £15	75%	15,336
2	£15 to £40	65%	343
3	£40 to £70	40%	431
4	£70 to £80	20%	151
5	£80 and more	0%	0

Table 2 - Impact of proposed CTS changes

Impact of proposed CTS changes	Total
Number of decreased claims	15,336
Average weekly CTS decrease	£1.31

16 Table 1 shows that reducing support to 75 per cent results in 15,336 households receiving less support with the average household paying an additional £1.31 per week. These figures assume a 5 per cent council tax increase in 2025/26. All of those impacted are in income band one. This is because only people in income band one receive the maximum 80 per cent level of support. Therefore, any reduction in the maximum level of support will only impact those in band one.

Council tax support for two homes

17 The current CTS scheme does not provide for CTS entitlement at more than one property. It is proposed to amend the scheme to make it possible to provide CTS on two homes in certain circumstances. In particular, where a resident has fled domestic abuse or has an unavoidable overlap of tenancies.

18 The proposal is to replicate the CTS award at the second property so that customers are not financially disadvantaged by their council tax liability for two homes.

19 It is difficult to quantify precise numbers, but this proposal is expected to benefit up to 100 customers annually at a cost of up to £75,000.

Governance

20 The Local Government Finance Act 2012 sets out the requirements for any changes to a local CTS scheme. Local authorities must:

- consult any major precepting authority which has power to issue a precept to it.
- publish a draft scheme in such manner as it thinks fit.
- consult such other persons as it considers are likely to have an interest in the operation of the scheme.

21 A revised CTS scheme must be approved at a meeting of the Council by 11 March, prior to the tax year in which the scheme is due to take effect. In designing local

schemes local authorities are also encouraged to give due consideration to equality impacts and work incentives.

- 22 Once the responses to the public consultation have been evaluated and a final equality impact assessment has been completed, the outcome of the consultation and any recommendations will be included in the Council's budget report for Cabinet and Council on 25th February 2025.
- 23 It is recommended that a consultation is initiated on 11th December 2024 for a period of seven weeks closing on 28th January 2025.
- 24 As part of the consultation process, a letter will be sent to every working age household in receipt of CTS to explain the options for change and the high-level impact. The letter will contain a link to the online consultation survey and provide details on how to request a paper copy of the survey.

Finance

- 25 The Council, like many households and organisations, is seeing significant increases in expenditure due to rising prices, and specifically, the rapidly increasing costs of Social Care. The money the Council receives from Government as well as through council tax and business rates, has not increased in line with the increasing cost of providing services. The result is that in 2024/25, the Council's spending is now forecast to exceed its income by over £10million as at quarter 2. The Council must, by law, set a balanced budget each year which means the amount it plans to spend cannot be more than the income it expects to receive. It is therefore looking at ways that it could reduce Council spending, or increase income, to ensure it is able to continue providing its most essential services.
- 26 One of the options is to increase the amount of council tax income the Council receives by reducing the maximum amount of CTS provided to working age households.
- 27 The changes to the scheme recommended in this report will deliver a £1.04 million reduction in the notional level of CTS, by increasing the city's Council Tax Base, which has the effect of increasing the amount of Council Tax that can be collected. The Council needs to consider a reduced eventual collection rate, recognising that collection will prove very challenging given the impact on the individuals affected. Of the collectable balance (circa £0.94 million), the Council will retain circa £0.85 million (approximately 87 per cent), with the remaining being distributed through the precepts for the West Midlands Police and the West Midlands Fire Authority.