

Report to Council

4 December 2024

Subject:	Local Council Tax Reduction Scheme 2025/26
Cabinet Member:	Councillor Paul Moore – Cabinet Member for Finance and Resources
Director:	Alex Thompson – Executive Director of Finance and Transformation
Key Decision:	Yes
Contact Officer:	Ian Dunn Revenues and Benefits Service Manager ian_dunn@sandwell.gov.uk Carl Jones Revenues and Benefits Senior operations manager. carl_jones@sandwell.gov.uk

1 Recommendations

For the reasons set out in the report, it is recommended that:-

- 1.1 approval be given to changes made to the Local Council Tax Reduction Scheme for 2025/26 for working age residents. The changes are:
 - a) Residents on the lowest income currently receive up to a maximum of 100% Local Council Tax Reduction. From 1 April 2025 it is recommended that working age applicants will fall into two categories:
 - where the working age applicant has a dependant child aged 5 years or under who resides with them, the maximum support will remain at 100% subject to their income;
 - all other working age applicants will only be able to receive a maximum of 85%.

- b) The current maximum Council Tax band to calculate Local Council Tax Reduction is Band C. This will reduce to Band B for all applicants.

1.2 the Local Council Tax Reduction Scheme for 2025/26 be recommended to Council for approval.

2 Reasons for Recommendations

2.1 Council Tax Reduction (CTR) 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 of the working age scheme.

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 the majority of other English Local Authorities.

2.5 The Council Tax Reduction scheme for 2025/26 will still provide over £17m to support working age households in Sandwell with Council Tax payments, and that the total council tax costs per household in Sandwell remain one of the lowest in the region and nationally.

3 How does this deliver objectives of the Council Plan?

Growing Up in Sandwell	The LCTRS provides financial support to the lowest income households to pay their Council Tax and LCTRS will be protected where the working age applicant has a dependant child aged 5 years or under
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	who resides with them, the maximum support will remain at 100% subject to their income
Living in Sandwell	The LCTRS provides financial support to the lowest income households to pay their Council Tax
Thriving Economy in Sandwell	The LCTRS provides financial support to the lowest income households to pay their Council Tax
Healthy in Sandwell	The LCTRS provides financial support to the lowest income households to pay their Council Tax

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 residents 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, most 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 standard minimum payment was introduced this will affect all 18,400 working age households who currently claim Council Tax Reduction.

4.7 The proposal is to remove the 100% CTR support and introduce a 15% minimum payment **except** where the applicant is responsible for a dependant child aged 5 or under who resides in the dwelling. In such cases CTR will continue to 100%. This proposed change would reduce the cost of the CTR scheme by £1.5m approximately and would be additional income to the council.

4.8 Below is a table which shows how this change would affect a resident who lives in a Band B property and currently receives 100% CTR based on the Council Tax charge for 2024/25. This CTR support would reduce to 85% and the resident would have to pay 15% from April 2025:

% payment	weekly payment	monthly payment	annual payment
15	£4.54	£19.72	£236.58

Capping Support to Council Tax Band B levels

4.9 An additional option is to cap the Council Tax band used to calculate CTR. Currently it is capped at Band C. This change in effect means that where an applicant resides in a dwelling which is at Band C or higher, their Council Tax Reduction would be calculated based on the equivalent of a Council Tax band B level.

4.10 Should this option be accepted, 76% of properties in Sandwell are in Band A or B. This would affect 1036 residents and would reduce the cost of the CTR scheme by £260k approximately and would be additional income to the council.

4.11 On average a resident would have to pay an extra £3,78 per week or £196.56 per year in Council tax based on the Council Tax charged for 2024-25.

Consultation

4.12 In line with the legislative requirements, the Council has consulted both with Major Preceptors and with the public. The public consultation took place from the 16 September until the 27 October 2024 (6 weeks) on the proposed changes to CTR and included also included two further additional 2 options as follows:

Removal of the Carer's Allowance Disregard

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.

The removal of the disregard would affect 1800 residents and would reduce the cost of the CTR scheme by £800k approximately and would be additional income to the council.

Removal of the earnings disregard

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.

The option would be 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.

Making this change would affect 1400 residents and would reduce the cost of the CTR scheme by £250k approximately and would be additional income to the council.

4.13 The consultation took place on Sandwell Consultation Hub, and to encourage responses, the consultation was promoted by:

- Letters promoting the consultation going out with Council tax bills and Council Tax Reduction letters during the consultation period.
- Posters in all of Sandwell's libraries
- SCVO newsletter
- Sandwell Advice Providers Network
- Housing Associations

- Private Sector Housing team promoting on social media to landlords.
- Social Media

- 4.14 53 responses were received to the consultation. The full analysis of the consultation is attached at Appendix 1(public consultation).
- 4.15 In respect of introducing a 15% minimum payment except where there is a dependant child aged 5 or under resident in the property, in which case CTR will continue up to 100%, **23 responses agreed with this (43%)**, 28 said they didn't agree (53%) and 2 didn't know (4%).
- 4.16 The option of calculating CTR based on a maximum of Council Tax Band B received **37 responses who agreed with the change (70%)**, 12 said they didn't agree (23%) and 4 don't know (7%)
- 4.17 The option of removing the earnings disregard of £25 per week received **21 who agreed with the change (40%)**, 26 said they didn't agree (49%) and 6 don't know (6%)
- 4.18 The option of removing the Carer's Allowance disregard received 19 **who agreed with the change (36%)**, 29 said they didn't agree (55%) and 5 don't know (9%)
- 4.19 In addition to the CTR consultation, as part of the Councils budget consultation which closed on the 19 November 2024, there was a question regarding reducing the level of CTR support and the proposal that £1.7m should be saved from the cost of the scheme affecting approximately 18,000 residents. The question was:
"Given the need to save money, do you agree with this proposal"
 1329 either agreed or strongly agreed (84%), 128 disagreed or strongly disagreed (8%) and 117 neither agreed nor disagreed (8%). From the responses 1271 (81%) are not in receipt of Council Tax Reduction and 216 (14%) are in receipt of Council Tax Reduction. 87 (5%) did not know
- 4.20 Based upon the feedback from the Council Tax Reduction consultation and taking into account the general feeling of responses to the budget consultation, it is recommended that the options be limited to the restriction on the maximum support and the reduction to Band B calculation. It is recommended that the changes to the earnings and carers allowance disregard not be progressed at this time.
- 4.21 A full EIA is attached at Appendix 2 and the draft policy (which is at Appendix 3) will have the income bands updated for 2025-2026 once

the Department for Work and Pensions publicise the new income rates from April 2025

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

Resources:	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 working age applicants 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.
Legal and Governance:	Schedule 1A (3) of the Local Government Finance Act 1992, states that Before making a scheme, the authority must: <ul style="list-style-type: none"> • 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, and • consult such other persons as it considers are likely to have an interest in the operation of the scheme. <p>In addition, in order to set a new scheme, the Council is obliged to make a resolution by 11th March of the year prior to the scheme coming into place</p>
Risk:	The calculation of the cost of LCTRS assumes that there will be no increase in caseload throughout 2025/26. If there was an increase in caseload this would lead to additional LCTRS costs. Any reduction in CTR will reduce the cost of CTR and this will need to be paid/collected from residents

Equality:	An equality impact assessment (EIA) has been completed and is shown in Appendix 2
Health and Wellbeing:	Any reduction in CTR could have an effect on residents' health and wellbeing as they will have less disposable income
Social Value	Not applicable
Climate Change	Not applicable
Corporate Parenting	Not applicable

7. Appendices

Appendix 1 - Consultation analysis

Appendix 2 - Equality Impact Assessment

Appendix 3 – Draft Local Council Tax Reduction Scheme Policy 2025/26.

8. Background Papers

None