

East Herts Council Report

Overview and Scrutiny Committee

Date of meeting: Tuesday 10 June 2025

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Council Tax Support Scheme

Ward(s) affected: (All Wards);

Summary

The purpose of this report is to update members on the work undertaken so far and to request permission to undertake a consultation with both the public and the Major Precepting Authorities in respect of proposed changes to the Council's Council Tax Support Scheme with effect from 1 April 2026.

1. Each year the Council is required to review its Council Tax Support 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.
2. Council Tax Support (CTS) was introduced from 1 April 2013 when it replaced the Central Government funded Council Tax Benefit regime. From its inception, the funding available to the Council from government has reduced year on year.
3. As with the majority of authorities within England, the Council need to make changes to the CTS scheme for working age applicants (the scheme for pension age applicants is prescribed by Central Government) in order to reduce the significant administrative burden placed on the Council by the introduction of Universal Credit.

4. This report provides details of the proposed scheme, which will provide assistance to the most vulnerable and negate the negative administrative effects of the introduction of Universal Credit. If the review of the current scheme is approved, the report requests permission to consult on these proposed changes as required by the legislation.

RECOMMENDATION FOR OVERVIEW AND SCRUTINY COMMITTEE:

(A) To consider the Council Tax Support Scheme and provide comments to the Executive Member for Financial Sustainability for his consideration.

5. The proposed scheme within this report will address the issues faced by the Revenues and Benefits Service in administering the current scheme.

REASONS FOR RECOMMENDATION

1. CTS was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:
 - Placed the duty to create a local scheme for **Working Age** applicants with billing authorities;
 - Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
 - Prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.

2. Since that time, funding for the Council Tax Support scheme has been amalgamated into other Central Government grants paid to Local Authorities and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources.
3. The current CTS scheme administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.
4. Pensioners, subject to their income, can receive up to 100% support towards their council tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of CTS can only be made to the working age scheme.
5. When CTS was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support.
6. Due to the reduction in finance, the Council reduced the maximum level of support available to working age applicants 91.5%.
7. The only other changes made were in line with prescribed requirements (set by Government) and to bring the scheme into line with either Housing Benefit or Universal Credit.

The main issues with the current scheme

8. There are a number of issues with the current scheme that will need addressing if the system is to continue to provide effective support to low-income taxpayers and also to provide the service

in an efficient manner. The main issues are as follows:

- The need to continue to assist low-income households and assist in the collection of Council Tax;
- The introduction of Universal Credit for working age applicants; and
- The need for a simplification of the scheme.

9. Each of these points are examined in detail below:

The need to assist low-income households and assist in the collection of Council Tax

10. Similar to other authorities, the Council, now requires all working age applicants to pay a minimum payment (8.5%). Under the previous scheme (Council Tax Benefit), almost 75% of working age applicants would not have been required to pay any Council Tax and would have received full (100%) support.
11. It is essential that this level of support is maintained notwithstanding that the design and the administration of the scheme needs to change.

Council Tax Support and the roll out of Universal Credit

12. The introduction of Universal Credit within the area has, as experienced in all other areas, brought a number of significant challenges to both the administration of CTS and also the collection of Council Tax generally. All Councils have experienced the following:
 - The reluctance of Universal Credit claimants to make a prompt claim for Council Tax Support leading to a loss in entitlement;
 - A high number of changes to Universal Credit cases are received from the Department for Work and Pensions requiring a change to Council Tax Support entitlement. This

currently stands at 48746 per annum and is expected to rise from the end of 2025. On average 40% of Universal Credit claimants have between eight and twelve changes in entitlement per annum. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays, and the demonstrable loss in collection; and

- The increased costs of administration through multiple changes with significant staff time being needed. Consequently, this has resulted in delays in processing CTS claims and sending revised council tax bills.

13. The existing means tested CTS scheme, is too reactive to change, and is not viable in the longer term now that Universal Credit has been rolled out fully within the area and the managed migration from legacy benefits (to be completed by the 2026). The move to a new more efficient CTS scheme from 2026/27 has now become essential.

The need for a simplified approach to the Council Tax Support Scheme.

14. Notwithstanding the introduction of Universal Credit, the existing scheme is based on an 'old fashioned;' means tested benefit scheme. It has major defects namely:
 - It is difficult for customers to understand and is based on a complex calculation of entitlement;
 - The administration for staff is complex, with staff having to request significant amounts of information from applicants;
 - Staff have to undergo significant training to be competent in processing claims, it takes over a year for an assessor to be proficient in the basics.
 - The timescales for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications; and
 - The administration of the scheme is costly when compared to other discounts for Council Tax

15. There is now a need to review the CTS scheme, not only to mitigate the effects of Universal Credit, but also make it easier for customers to make a claim and to significantly reduce the time and costs of administration so work demands are more manageable on the team.

The proposed approach for the 2026/27 Council Tax Support Scheme

16. In view of the problems being experienced with the current scheme, it is proposed that an alternative approach be taken from 2026/27. The approach is to fundamentally redesign the scheme to address all of the issues with the current scheme and in particular:
- (a) To maintain the level of support available to the poorest households;
 - (b) To address the problems with the introduction of full-service Universal Credit; and
 - (c) To reduce the administration costs and delays in processing due to the high level of changes received in respect of Universal Credit;
17. Work has been ongoing since the beginning of January this year on a proposed new scheme which is nearly completed. If agreed by committee, consultation needs to be undertaken with the public and the major precepting authorities. If agreed by Full Council later this year, the new scheme will take effect from 1 April 2026.
18. The current means - tested schemes will be replaced by a simple income grid model as shown below in Table 1:

Table 1 - EXAMPLE

	Passported	Single	Single with 1 Child	Single with 2 or more	Couples £	Couple with 1 Child	Couple with Two or
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				Children		£	more children £
Discount level	Weekly Income Levels £						
100% Band 1*	Relevant Benefit	£0.00 to £125.00	£0.00 to £225.00	£0.00 to £275.00	£0.00 to £175.00	£0.00 to £225.00	£0.00 to £275.00
80% Band 2	N/A	£125.01 to £175.00	£225.01 to £275.00	£275.01 to £325.00	£175.01 to £225.00	£225.01 to £275.00	£275.01 to £325.00
60% Band 3	N/A	£175.01 to £225.00	£275.01 to £325.00	£325.01 to £375.00	£225.01 to £275.00	£275.01 to £325.00	£325.01 to £375.00
40% Band 4	N/A	£225.01 to £275.00	£325.01 to £375.00	£375.01 to £425.00	£275.01 to £325.00	£325.01 to £375.00	£375.01 to £425.00

- It is proposed that the highest level of discount will be at a maximum level of liability Band 1, and all current applicants that are in receipt of a '*passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) receive maximum discount:
- All other discount levels are based on the applicant's and partner's, (where they have one) net income;
- The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependants;
- All of the proposed scheme options specified below, have the same 'grid' and are identical in other respects except for non-dependant deductions;

19. For all of the above options, the following key features will apply:

- To encourage work, a standard £25 per week disregard will be provided against all earnings This will take the place of the

current standard disregards and additional earnings disregards. Where a family also receives a childcare disregard (for childcare costs not paid for by Central Government schemes), the income levels in the 'grid scheme' are set at a higher rate;

- No charges will be made for non-dependants;
- Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded;
- Where any applicant, their partner or any dependant child(ren) are disabled, a further disregard of £50 per week will be given, thereby maintaining the current level of support to those with disabilities;
- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded;
- Child benefit and Child Maintenance will be disregarded;
- The following elements of Universal Credit will also be disregarded:
 - An amount in respect of the Housing Element;
 - Limited Capability for Work and Work Related Activity Element;
 - Carer's Element; and
 - Disabled Child Element
 - The total disregard on war pensions and war disablement pensions will continue (maintaining the Council's commitment to the Armed Forces Community Covenant);
 - Extended payments will be removed; and
 - The capital limit will be £10,000 but with no tariff (or assumed income) being applied.

How the new scheme will address the problems with the current Council Tax Support

20. With the simplicity of the proposed new scheme and by taking a more 'Council Tax discount approach', it will address the problems

associated with the increased administration and delays in processing caused by failings in the current scheme and Universal Credit as follows:

- **The scheme will require a simplified claiming process.** All applicants will see a significant reduction in the claiming process and, where possible, CTS will be awarded automatically. For Universal Credit applicants *any* Universal Credit data received from the Department for Work and Pensions (DWP) will be treated as a claim for CTS. Where information is received from DWP, the entitlement to CTS will be processed automatically without the need to request further information from the council taxpayer. These changes will have the following distinct advantages namely:
 - **Speed of processing** – all claims will be able to be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays;
 - **Maximising entitlement to every applicant.** The claiming process will be simplified significantly for all CTS claimants. Entitlement to CTS will be maximised with a reduced risk of loss of discount or the need for backdating;
 - **Maintenance of collection rates** – the new scheme will avoid constant changes in discount, the need for multiple changes in instalments and therefore assist in improving and increasing collection rates. The maintained maximum level of discount will also assist all those applicants on the lowest levels of income, again improving the overall collection rate;
 - **The income bands are sufficiently wide to avoid constant changes in discount.** The current CTS scheme is very reactive and will alter even if the overall change to the person's liability is small. This is leading to constant changes in Council Tax liability, the need to recalculate monthly instalments and the requirement to issue a large number of Council Tax bills. The effect of this is that Council Tax collection is reduced. The new scheme, with its simplified income banding approach will have the following advantages:

- Only significant changes in income will affect the level of discount awarded;
- Council Taxpayers who receive Council Tax Support will not receive multiple Council Tax demands and adjustments to their instalments; and
- The new scheme is designed to reflect a more modern approach, where any discount changes it will be effective from the day of the change rather than the Monday of the following week.

The effect of proposed scheme on individual households

21. The proposed changes will have a significant effect on households especially those on the lowest of incomes. Current modelling allows us to project the likely outcomes for typical households given their individual circumstances.
22. Based on the schemes as outlined the following would result:

Table 2 - the potential number of that gain winners and that lose under the proposed options

Number of recipients that would:	
Gain	2186 (43%)
Stay the Same	2140 (43%)
Lose	708 (14%)

23. Inevitably, with any change in scheme, there will be some who would be worse off although the proposed scheme has been designed to protect the most vulnerable and the vast majority of applicants. The amount of CTS lost by residents is dependent on the income they receive. They are then attributed to a band under the new scheme. A summary of potential annual CTS recipients who would be worse off are included below. This is based on

information held on the system currently and could be subject to change.

Band 1 – CTS recipients who receive a partial award currently due to their income level will potentially lose all of their CTS entitlement. Amounts vary from £10 to £509 per annum.

Band 2 - 517 cases with a potential loss of £197 per annum

Band 3 – 221 cases who, dependent on income received will lose between £182 and £673 per annum.

Band 4 – 69 cases who will lose between £809 and £1283 per annum under the scheme due to income levels. Most of the cases affected are where the resident receives income from employment which is included in the Universal Credit calculation.

The losses will apply mostly to working age residents. Of the potential loss, 10 relate to Pensioner cases.

24. In order to assist any household who may lose entitlement, it is proposed that the new scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment.
25. The Council will consider all applications for hardship on an individual case-by-case basis, taking into account available income and essential outgoings. Where appropriate further support will be given to the applicant. Any discretionary awards made are to be paid through the Collection Fund.

OTHER OPTIONS CONSIDERED

26. The alternative to introducing a new income-banded scheme for Council Tax Support from 2026/27 is to leave the existing scheme in place. This would be a short-term option; lead to increasing costs of administration; and in the longer term, continue to significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Council's area.

ENGAGEMENT/CONSULTATION

27. In order to change the scheme, a full consultation will need to be undertaken in line with the statutory requirement with:
- The County Council;
 - Police and Crime Commissioner;
 - The public
28. The responses to the consultation will assist the authority in making its decision which must be made by Full Council

6.0 Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

Yes, if the proposed recommendation is agreed, we will assess the Council's equalities duty in regard to this proposal and include any relevant findings from the outcome from the consultation in the report to Full Council

Environmental Sustainability

There will be no measurable environmental impact

Financial

Since 2013 the tax base has grown whilst the effect of CTS on the tax base has reduced considerably.

The overall CTS caseload is reducing year on year due to mainly the increasing income of pensioners (this is in line with all other English Authorities) and whilst the working age caseload increased temporarily through the COVID crisis, this is again reducing and is expected to reduce further from now on.

The current Council Tax Support scheme costs approximately £7.3 million which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions:

- Council 9%
- County Council – 79.2%
- Police and Crime Commissioner 11.8%

The approach and 'shape' of the scheme is changing, and the overall approach will be to provide additional support to those households on the very lowest incomes. Based on current modelling, were the new scheme to be in place at the current time, the cost would be approximately £224k

Financial modelling will continue to be undertaken throughout the project as CTS caseloads change throughout any financial year.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

Schedule 1A (3) of the Local Government Finance Act 1992, states that before making a scheme, the authority 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, and
- consult such other persons as it considers are likely to have an interest in the operation of the scheme.

In addition to the statutory consultation, 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.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 N/A

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