

**CABINET  
14 JANUARY 2025**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2025/2026**

**REPORT OF: SERVICE DIRECTOR CUSTOMERS**

**EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT**

**COUNCIL PRIORITY: SUSTAINABILITY/ACCESSIBLE SERVICES**

**1. EXECUTIVE SUMMARY**

- 1.1 Each year the Council is required to review its Council Tax Reduction Scheme (CTRS) in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme, revise the scheme, or replace it.
- 1.2 The Council carried out a full review of its Council Tax Reduction Scheme in 2022/23. The review resulted in the introduction of a banded scheme from 2023/24. The new scheme is now coming to the end of its second year.
- 1.3 The scheme has been reviewed during 2024/25 and no significant changes are required. There are two small adjustments to the scheme, in relation to the Post Office compensation scheme and an uplift to the bands to reflect Consumer Price Index (CPI) These are covered in more detail in Section 8 of the report.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet recommend to Council the continuation of the banded scheme for working age applicants which remains largely unchanged for 2025/2026, a small adjustment to the income bands to reflect CPI has been incorporated to ensure the scheme continues to support those most in need.
- 2.2 That Cabinet note the cost of the scheme is currently £9.18m noting that this is not an actual cost but a reduction of the amount of council tax collected.
- 2.3 That Cabinet note that the Discretionary Exceptional Hardship Scheme, previously agreed to provide additional transitional support will continue to be used to support cases of exceptional hardship.

### **3. REASONS FOR RECOMMENDATIONS**

3.1 To ensure that the Council has a Council Tax Reduction Scheme that continues to:

- Provide the greatest support to the lowest income households.
- Reduce the administrative burden that has been placed on the Council since the introduction of Universal Credit (UC)
- Be simple to understand, meaning that customers will be able to calculate entitlement and assess the impact of potential changes in circumstances.

### **4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 There is a requirement to provide a Council Tax Reduction Scheme. The purpose of this report is to consider whether the scheme meets the needs of providing support where it is required and is affordable. We continue to monitor and analyse the scheme and do not propose any significant changes to the scheme for 2025/26. Alternatives are to replace the scheme or make no changes. The scheme is effective enough to not require a full replacement or major changes therefore the small amendments will be made, one being to adhere to legal requirements and the second, a minor update.

### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

5.1 The Executive Member for Finance and IT has been consulted throughout.

5.2 Consultation has also been undertaken with the following

- The County Council (including Fire & Rescue)
- The Hertfordshire Police and Crime Commissioner (PCC)
- The Councils website
- Regular meetings with the Executive Member for Finance and IT
- A report was presented to the internal Political Liaison Board of the Executive and Leadership Team on 03 December 2024

### **6. FORWARD PLAN**

6.1 This report was first notified to the public in the Forward Plan on the 15 November 2024.

### **7. BACKGROUND**

7.1 The current Council Tax Reduction Scheme administered by the Council is divided into two schemes, one for pension age applicants who receive support under the rules prescribed by Central Government, the funding of that scheme is recouped in full from the Ministry of Housing, Communities and Local Government, (MHCLG) and the scheme for working age applicants being determined solely by the local authority.

7.2 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 Council Tax Reduction can only be made to the working age scheme.

- 7.3 In 2023 the Council moved to a banded scheme, which was designed to meet a number of key objectives, these were and remain:
- To provide the greatest support to those on the lowest income
  - To reduce the administrative burden that has been placed on the Council since the introduction of Universal Credit (UC)
  - To be simple to understand, meaning that customers will be able to calculate entitlement and assess the impact of potential changes in circumstances.
  - To give financial stability by reducing monthly changes to Council tax bills
- 7.4 The scheme is constantly monitored, and consideration given to whether any changes are needed for the following year in order to reflect external changes. For 2025/26 there are two minor changes recommended (one of which is legislative) these are covered in more detail in Section 8.
- 7.5 Where it has been recommended to make significant changes to the Scheme, these should be the subject of public consultation before a final recommendation is made to the Council for adoption or not into the Scheme. As the changes recommended in this report relate to one legislative change and another that is not significant, we have carried out a light touch public consultation via our website between 08 November and 06 Dec 24. No comments were received from the public; however a comment was received from Citizens Advice concerning the impact of CPI on the bands. This is being addressed with the changes proposed in this report.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 In previous years, Cabinet has considered whether any changes to the Housing Benefit Regulations should be reflected within the Council's CTRS Scheme. There has been a recent change to the Housing Benefit Regulations, which require adoption within the Council's CTR scheme for 2025/2026. This change relates to the Post Office Compensation scheme which requires us to disregard any compensation received for the purpose of Housing Benefit and Council Tax Reduction.
- 8.2 Through our monitoring and analysis, we are recommending a slight increase of the income bands to reflect CPI and current rates of Universal Credit awards. This will ensure those in most need continue to receive full support and prevents the uplift in benefit income being detrimental to the customer.
- 8.3 The recommended increase in bands equates to 1.7% across all bands to align with CPI for 2025/26. Additionally, three bands will be increased further to a total of 2.7% as we can see this is required to ensure those most in need continue to receive the maximum support of 100%. The three bands this applies to are Single no children (SN) Single one child (S1) and Couple no children (CN)
- 8.4 The reason for increasing these bands further is that our monitoring showed that following the benefit uplift in April 2024 of 6.7% some households as a result fell just outside of the top of the income band and moved into a lower band where they had to contribute to their Council Tax. What that meant was that these people were required to contribute more to their council tax than the additional income they were receiving, having an adverse impact. The intention of the scheme is to provide the greatest support to those on the lowest income and therefore an adjustment to these bands will enable that.

8.5 In addition to the financial changes, we are strengthening the wording in our policy in relation to our approach to investigating and handling of fraud. This has been recommended by the Shared Anti-Fraud Service who have reviewed our policy.

8.6 Figure 1 shows the income tables of the scheme in 23/24 and Figure 2 shows the proposed income tables for 25/26.

**Figure1**

Band	Discount	Single Person	Single Person with one child	Single Person with two children	Single Person with three or more children	Couple with no children	Couple with one child	Couple with two children	Couple with three or more children
1	100%	£0 to £100.00	£0 to £165.00	£0 to £220.00	£0 to £330.00	£0 to £140.00	£0 to £205.00	£0 to £260.00	£0 to £340.00
2	75%	£100.01 to £180.00	£165.01 to £245.00	£222.01 to £300.00	£330.01 to £385.00	£140.01 to £220.00	£205.01 to £285.00	£260.01 to £340.00	£340.01 to £395.00
3	45%	£180.01 to £240.00	£245.01 to £305.00	£300.01 to £360.00	£385.01 to £445.00	£220.01 to £280.00	£285.01 to £345.00	£340.01 to £400.00	£395.01 to £455.00
4	25%	£240.01 to £300.00	£305.01 to £365.00	£360.01 to £420.00	£445.01 to £505.00	£280.01 to £340.00	£345.01 to £405.00	£400.01 to £460.00	£455.01 to £515.00
5	0%	Over £300.01	Over £365.01	Over £420.01	Over £505.01	Over £340.01	Over £405.01	Over £460.01	Over £515.01

**Figure 2**

Band	Discount	Single person	Single Person 1 child	Single person 2 children	Single person 3 children	Couple No children	Couple 1 child	Couple 2 children	Couple 3 children
1	100%	£0 to £103.00	£0 to £169.00	£0 to £224.00	£0 to £336.00	£0 to £144.00	£0 to £208.00	£0 to £264.00	£0 to £346.00
2	75%	£103.01 to £185.00	£169.01 to £252.00	£224.01 to £305.00	£336.01 to £391.00	£144.01 to £226.00	£208.01 to £290.00	£264.01 to £346.00	£346.01 to £402.00
3	45%	£185.01 to £246.00	£252.01 to £313.00	£305.01 to £366.00	£391.01 to £452.00	£226.01 to £288.00	£290.01 to £351.00	£346.01 to £407.00	£402.01 to £463.00
4	25%	£246.01 to £308.00	£313.01 to £375.00	£366.01 to £427.00	£452.01 to £513.00	£288.01 to £349.00	£351.01 to £412.00	£407.01 to £468.00	£463.01 to £524.00
5	0%	Over £308.01	Over £375.01	Over £427.01	Over £513.01	Over £349.01	Over £412.01	Over £468.01	Over £524.01

- 8.7 The banded scheme provides the highest level of discount of 100% of the Council tax liability (Band 1) meaning, someone with 100% discount is not expected to contribute towards their Council Tax bill. All current applicants that are in receipt of a 'passported benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) will receive this maximum discount, likewise those whose only income is universal credit will also receive 100% discount. All other discount levels are based on the applicant's and partner's (where they have one) net income.
- 8.8 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. There are no charges made where an applicant has non-dependants living with them. This means that the administration of the scheme is more straightforward whilst also protecting low-income families where adult children remain at home.
- 8.9 To encourage work, a standard £50 per week disregard is provided against all earnings. 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.
- 8.10 The Council was mindful that the initial transition to the banded scheme would result in a change to the entitlement of some applicants and so made a provision for additional discretionary support to individuals who experienced exceptional hardship. Where any applicant was likely to experience exceptional hardship, they were encouraged to apply for a CTR hardship award for a specified period of time. However, the take-up for this has been low, mainly due to the support awarded within the scheme, which has meant that those experiencing hardship as a result of the change in the scheme has been limited. This funding is still available and will be promoted for claimants that may be adversely affected by the scheme.

## **9. LEGAL IMPLICATIONS**

- 9.1 Under Section 13A of the Local Government Finance Act 1992 a local authority is permitted reduce its council tax. Accordingly Schedule 1A of the Local Government Finance Act requires a local authority to have in place a Local Council Tax Reduction Scheme.
- 9.2 The Council is required to maintain and annually review its Council Tax Reduction Scheme in accordance with Section 13A and Schedule 1A of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012).
- 9.3 Schedule 1A to the Local Government Finance Act 1992 requires the Council to make any revision to its scheme or any replace scheme no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

9.4 Section 3(1) of Schedule 4 of the Local Government Finance Act 2012, which inserts Schedule 1A to the Local Government Finance Act 1992 requires the Council to consult on any changes to its scheme as follows:

- 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.

9.5 Cabinet's terms of reference include at 5.7.44 recommending to Full Council 'The Council Tax Reduction Scheme'. In turn Full Council's terms of reference include at 4.4.1 (z) "approving the Council Tax Reduction Scheme".

In considering the CTRS cabinet is acting in accordance with statutory provisions and in accordance with its obligations under the Council's constitution.

## **10. FINANCIAL IMPLICATIONS**

10.1 The Council Tax Reduction Scheme in 24/25 cost approximately £9.18m which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities which is expected to be in approximately the following proportions:

- County Council (including Fire and Rescue Service) (around 76%)
- Police and Crime Commissioner (around 12%)
- District Council (around 12%)

These proportions are based on the overall share of Council Tax income and will change over time in line with decisions made by each Authority on levels of Council Tax increase. Recently, these have mainly been affected by the levels of increase (without a local referendum) that have been allowed by Government.

The costs of Council Tax Reduction are not funded by the Precepting Authorities directly. Instead, the estimated level of eligibility is converted into a number of band D equivalent properties. That then reduces the overall tax base (i.e., the number of properties expected to pay Council Tax), and therefore the amount of income that each Precepting Authority should expect to receive. Differences between what was expected, and the amount collected are managed through a Collection Fund. The precepting Authorities will share any surpluses or shortfalls in the following year.

10.2 Maintaining the existing scheme without the minor changes to thresholds gave an estimated tax base (as at October 2024) of 51,358.40 Band D equivalent properties. The minor changes give an estimated tax base (at the same date) of 51,315.1 Band D properties. The reduction of 43 properties equates to an estimated reduction in funding for North Herts of £12,000. This assumes that there is no impact on the collection rate, which we estimate at 99%. We are monitoring the collection rate as it may improve, as the banded scheme should improve residents' ability to pay the Council Tax that they are liable for.

10.3 There is currently approximately £270,000 remaining of the hardship funding that will be used to provide discretionary support where required and appropriate.

## **11. RISK IMPLICATIONS**

- 11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 General economic factors can have an impact on the number of people that claim CTRS and therefore it is difficult to predict the number of households that will be eligible in the future and the extent of that entitlement and impact on the cost of the scheme. The only way to mitigate the risk of increasing spend is to make the scheme less generous. This in turn will mean increases in the amount of Council Tax to be collected, which may prove counter-productive and move the problem into increased bad debts.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 It should be noted that this scheme only applies to and impacts a specific age group: working-age claimants. The new scheme aims to improve accessibility to the scheme for all claimants through a simplified process; and improve the support available to those that are on the lowest incomes.
- 12.3 An equalities impact assessment (EIA) was completed for the current scheme in December 2022 before it was implemented. Actions from the EIA included promotion of the Exceptional Hardship Scheme, this was carried out in a number of ways and applications considered on an individual basis. As there are no significant changes being proposed for 25/26 another assessment is not required.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 The Social Value Act and “go local” requirements do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1 There are no known Environmental impacts or requirements that apply to this report.

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 The banded scheme and proposed adjustments in this report have a positive human resource impact as staff spend less time chasing debt for small amounts that we know are unlikely to be paid. The banded scheme is more straightforward and easier for customers to understand meaning that resources are utilised dealing with more complex matters.

## **16. APPENDICES**

- 16.1 Appendix A - Caseload examples
- 16.2 Appendix B – Benefit Information Sheet

## **17. CONTACT OFFICERS**

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## **18. BACKGROUND PAPERS**

- 18.1 None