

Report Title **Council Tax Reduction Scheme & Council Tax Base 2025/26**

Date of meeting:	9 January 2025 14 January 2025 16 January 2025
Report to:	Cabinet Overview & Scrutiny (Regulatory, Compliance & Corporate Services) Council
Report of:	Executive Director of Corporate Resources and Commercial
Portfolio:	Corporate Services
Wards affected:	All
Included in Forward Plan:	Yes
Is this a key decision:	Yes
Exempt/confidential report:	No

Summary:

The purpose of this report is to provide details of the review of the local Council Tax Reduction Scheme for the current year 2024/25. Following the review, it is proposed that there is no change made to the scheme for 2025/26.

The report also provides an updated Council Tax Base for Sefton Council and each Parish area for 2025/26.

Recommendation(s):

Cabinet

1. Notes the outcome of the review of the Council Tax Reduction Scheme for the current year 2024/25.
2. Recommend that Council approve the current scheme for 2025/26.
3. Recommend that Council approves the relevant Council Tax Base for Sefton Council and each Parish Area for 2025/26 as set out in Annex A.

Overview & Scrutiny Committee

That the report is noted.

Council

1. Note the outcome of the review of the Council Tax Reduction Scheme for the current year 2024/25.
2. Approve the current scheme for 2025/26.
3. Approve the relevant Council Tax Base for Sefton Council and each Parish Area for 2025/26 as set out in Annex A of the report.

1. The Rationale and Evidence for the Recommendations

Local Council Tax Reduction Scheme

1.1 Introduction/Background

- 1.2 Local Council Tax Reduction replaced Council Tax Benefit (CTB) from 1st April 2013. The Council Tax Reduction Scheme is a discount awarded to households on a low income to help towards Council Tax payments. The amount awarded is based on a person's household and income. The local scheme rules only apply to working-age Council Taxpayers. Pensioners are protected by legislation and must be provided with the level of Council Tax support specified by the Government.
- 1.3 The grant transferred to the Council, Police and Crime Commissioner and Fire Authority in 2013/14 to fund the local scheme was £24.2M; this was £3M lower than had previously been provided to fund CTB in 2012/13. The Council therefore had to introduce changes to the national default Council Tax Support Scheme to ensure that the local scheme was cost neutral. As the Government had specified the level of support that had to be provided to pensioners, the saving requirement had to be met by reducing the level of support available to working age claimants and through changes to Council Tax empty property discounts.
- 1.4 The Council is required, by law, to review the Scheme each year irrespective of whether it is being amended. The Council Tax Reduction Scheme for 2025/26 must be agreed by Council by 11th March 2025.

2. Review of the Council Tax Reduction Scheme for 2024/25

- 2.1 To satisfy the requirement to review the Scheme, the following areas have been evaluated:
 - Claimant caseload
 - Scheme expenditure
 - Impact on most vulnerable claimants
 - Council Tax collection, including Attachment of Benefits
 - Review of the Council's principles for the Scheme
 - Council Tax Exceptional Hardship Fund.

2.2 Claimant Caseload

The table below shows the caseload data at 30th September 2024 compared to caseload data at the end of each year since the Council Tax Reduction Scheme was introduced in 2013/14:

Year	Date	Pensioners	Working Age	Total	Change
2013/14	03.04.14	14,655	16,025	30,680	n/a
2014/15	01.04.15	13,925	15,349	29,274	-1,406
2015/16	31.03.16	13,206	14,886	28,092	-1,182
2016/17	31.03.17	12,541	14,524	27,065	-1,027
2017/18	31.03.18	11,970	14,005	25,975	-1,090
2018/19	31.03.19	11,404	14,160	25,564	-411
2019/20	31.03.20	10,871	14,326	25,197	-367
2020/21	31.03.21	10,491	15,519	26,010	+813
2021/22	31.03.22	10,243	14,917	25,160	-850
2022/23	31.03.23	10,053	14,712	24,765	-395
2023/24	31.03.24	9,874	14,456	24,330	-435
2024/25	30.09.24	9,853	14,249	24,102	-228

The working age caseload can be split further:

Year	Date	Employed	Other	Total	Change
2013/14	03.04.14	2,874	13,151	16,025	n/a
2014/15	01.04.15	2,748	12,601	15,349	-676
2015/16	31.03.16	2,504	12,382	14,886	-463
2016/17	31.03.17	2,193	12,331	14,524	-362
2017/18	31.03.18	1,900	12,105	14,005	-519
2018/19	31.03.19	1,597	12,563	14,160	+155
2019/20	31.03.20	1,268	13,058	14,326	+166
2020/21	31.03.21	1,070	14,449	15,519	+1,193
2021/22	31.03.22	1,126	13,791	14,917	-602
2022/23	31.03.23	1,081	13,631	14,712	-205
2023/24	31.03.24	1,039	13,417	14,456	-256
2024/25	30.09.24	971	13,278	14,249	-207

2.3 Pensioner Claimants: Since the initial implementation of the scheme in 2013/14 the number of Pensioner Claimants has declined in every year. Pensioner claimant numbers have continued to fall in 2024/25, however, the rate of decline has slowed.

2.4 Working Age Claimants: Claimant numbers increased significantly in 2020/21 as a result of the economic impact of Covid-19. Claimant numbers have reduced each year since 2021/22. However, the current economic climate is uncertain, and we could see this trend reverse.

2.5 Scheme Expenditure

The following table shows the Council Tax Reduction Scheme Expenditure reported in the Revenue Outturn Return compared to the mid-year estimate for 2024/25:

Year	Source	Pensioners £000	Working £000	Total £000	Change £000
2013/14	RO Return	13,305	9,907	23,212	n/a
2014/15	RO Return	12,152	10,364	22,516	-696
2015/16	RO Return	11,895	9,760	21,655	-861
2016/17	RO Return	11,540	10,559	22,099	+444
2017/18	RO Return	11,378	10,948	22,326	+227
2018/19	RO Return	11,695	11,069	22,764	+438
2019/20	RO Return	11,790	11,784	23,574	+810
2020/21	RO Return	11,898	13,414	25,312	+1,738
2021/22	RO Return	12,020	13,823	25,843	+531
2022/23	RO Return	12,037	13,585	25,622	-221
2023/24	RO Return	12,468	14,254	26,722	+1,100
2024/25	Estimate	12,962	14,673	27,635	+913

Note: The forecast increase in the cost of the scheme in 2024/25 of £0.913m (3.4%) is largely due to an average council tax increase of 4.87% being offset by a reduction in claimants.

2.6 Council Tax Collection

The table below shows the amount of Council Tax billed and collected during 2023/24. At national level, it should be noted that Council Tax collection in Sefton was 1.3% above the average for Metropolitan authorities, with Sefton also being the strongest performer in the Liverpool City Region for in-year collection.

Recorded at 31 March 2024	Liability Raised £000	Received In Year £000	Collection Rate %
CTRS Cases - Working Age	4,405	3,106	70.5
CTRS Cases - Pensioner Age	1,436	1,707	118.9
Other Council Tax Payers	190,762	181,674	95.2
Total (in-year collection)	196,603	186,487	94.9

Current Year Council Tax Collection: 2024/25

As at 31st October 2024, the in-year Council Tax collection figure was 62.39% compared to 62.24% in 2023/24. Collection compares favourably to the same point in 2023/24, particularly as the Council is part way through a Single Occupier Discount Review that has increased the net collectible debit for the year by around £317,000.

2.7 Impact on the most vulnerable claimants

The local Council Tax Reduction Scheme continues to address the Council's priorities to minimise the impact on the most vulnerable, by seeking to strike a balance between dealing with Council priorities whilst supporting those experiencing financial challenges. The Council, having recognised the impact on communities, has introduced a range of mitigating actions,

- Provision of an Exceptional Hardship Fund (see Section 2.10 below)
- Easing the transition for households claiming Universal Credit by treating notifications received from the Department for Work and Pensions (DWP), as a claim for local Council Tax Reduction, thus removing the need for those in receipt of Universal Credit to have to make a separate claim for support towards their Council Tax.
- Continuing to disregard the whole of a war pension as part of the Council Tax Reduction Scheme, including War Disablement Pensions, War Widows Pensions, and any corresponding pensions payable to a widower or surviving civil partner. For those claimants also in receipt of Housing Benefit, the Council also fully disregards War Disablement Pension and War Widow's Pension; with the cost of the first £10 disregard met by the Government as part of the Housing Benefit subsidy claim and the remainder of costs covered by the Council.
- Offering 12-month (rather than 10-month) instalment payments to Council Tax payers and taking a sensitive approach to enforcement action to consider the potential vulnerability of Council Tax Reduction claimants. Before cases are referred to Enforcement Agents a vetting stage has been introduced and cases are dealt with under a separate debt recovery process to minimise potential increases in debt.
- In response to the cost-of-living crisis, the procedures for negotiating payments have been reviewed and updated to include feedback from Sefton Citizen's Advice. In addition, there is a co-ordinated working relationship between the Council's contracted Enforcement Agents and Citizens Advice to support people in debt. Citizens Advice Sefton has direct lines of communication with the Enforcement Agents and can arrange for recovery action to be placed on hold whilst discussing and agreeing affordable payment arrangements.
- The Council is taking a sensitive approach with Council Tax collection for households in the Southport area who may have been affected by the tragic incident in July with a hold being placed on recovery action.
- Council Tax support has been provided to households in Bootle that were affected by flooding at the end of September 2024. A discretionary award has been made through the Exceptional Hardship Fund to cover Council Tax payments.
- The Debt Respite Scheme (known as Breathing Space), which started in May 2021, gives a person with debt problems the right to legal protections from recovery activity. Standard breathing space lasts for 60-days and can be extended if the person is receiving mental health crisis treatment. This enables a debt advice provider time to arrange an appropriate debt solution. During the period 1st November 2023 – 31st October 2024, the Council has received notification of 205 customers in Breathing Space of which 180 have now expired. Over 95% of these applications were in respect of Council Tax debt only.

2.8 **Attachment of Benefits**

Since the introduction of the Council Tax Reduction Scheme in April 2013 the number of working age claimants falling into arrears continues to grow. One recovery option open to the Council for benefit claimants is to apply for an Attachment of Benefit (AOB) via the courts. Under this option, the following deductions from benefits may be applied:-

- For claimants of Job Seeker's Allowance/Income Support/Employment Support Allowance/Pension Credit the weekly deduction is £4.55.

- For single claimants under 25 on Universal Credit, the deduction is £15.58 per 4 weeks, rising to £19.67 per 4 weeks for those aged over 25.
- For couples over 25 on Universal Credit, the deduction is £30.88 per 4 weeks.
- An AOB cannot be applied without first having taken the debtor to court to obtain a Liability Order. Due to the need to follow the correct legislative timeline for obtaining a Liability Order, payment by AOB cannot commence until part-way through the year. Typically for a bill issued in March the first payments would not be made by the DWP until August of the same year.
- A significant number of people have arrears for more than one financial year. As only one AOB order may be deducted at a time there has been a significant increase in the number of pending cases. These cases are effectively stacked up until an earlier order is paid. No recovery action may be taken in the interim and the value of such cases is increasing year on year.
- Many new claimants for local Council Tax Reduction have already accrued debts before an AOB can be considered.

The following table shows the amount of debt being recovered by AOB, and the amount of debt still waiting recovery by AOB as at 31st October 2024:-

	31.10.21	31.10.22	31.10.23	31.10.24
AOB in payment	£1,170,127	£1,719,777	£2,012,354	£2,238,654
Number of cases	5,002	7,524	7,715	8,089
AOB Pending	£4,868,797	£5,897,664	£7,441,760	£8,624,268
Number of cases	17,101	20,008	22,649	24,693

2.9 Review of Scheme Principles

The local Council Tax Reduction Scheme is based on five principles and the review is summarised below:

Principle	CTRS working for non-pensioner claimants?
The Council will continue to support work incentives	Yes – The Council continues to operate a system which disregards certain amounts of money from customers earnings through employment and self-employment when calculating entitlement, and to support those working households making the transition from legacy state-benefits to Universal Credit.
The Council will continue to	Yes – The Council continues to make additional

<p>recognise the additional needs of our most vulnerable residents.</p>	<p>allowances and give additional support to those receiving certain DWP sickness benefits, disability benefits and benefits for Carers when calculating entitlement.</p> <p>Additionally, the Council continues to disregard certain disability benefits as income when calculating entitlement</p> <p>Procedures are regularly reviewed for the collection of non- payment of Council Tax to ensure non-disproportionate impact on the most vulnerable households. Also budgeting support and advice is made available to all claimants.</p> <p>The Council Tax Exceptional Hardship Fund is available to those in the greatest financial need with fair and transparent criteria for awards.</p>
<p>The Council will continue to recognise the additional needs of families with children</p>	<p>Yes – Child Benefit and Child Maintenance payments are not considered as income when calculating entitlement to CTRS.</p> <p>Additional allowances are given when calculating entitlement for where there is a disabled child in the family.</p> <p>The CTRS takes childcare costs into account for low income working families.</p> <p>The Council continues to include the Family Premium when calculating the Council Tax Reduction. This has been removed for all new Housing Benefit claims from 2016. The Council has also chosen not to mirror the Housing Benefit scheme which restricts the amount of support given to families with more than two children within its CTRS.</p>
<p>The Council supports households staying together to make better use of housing in Sefton and reduce homelessness.</p>	<p>Yes - The amount of Council Tax Reduction taken away from a customer when other adults live in the household (known as a non-dependant deduction), was reduced in 2013 and remains at those lower levels.</p>
<p>The Council will continue to have due regard to the Armed Forces Covenant</p>	<p>Yes – War Disablement and War Widows pensions in calculating CTRS, including any Armed Forces compensation in accordance with the covenant is disregarded. This also includes the service attributable element of the armed forces pension could also be disregarded as income when calculating entitlement.</p>

2.10 Council Tax Exceptional Hardship Fund (EHF)

The EHF fund is administrated within an agreed policy, the Discretionary Reduction in liability policy, approved by Cabinet Member for Regulatory, Compliance and Corporate Services.

The EHF aims to help vulnerable working age people experiencing financial hardship by reducing their Council Tax bill.

The total fund for 2024/25 is £277,034, this includes the £170,000 annual EHF and agreed carry over from 2023/24. As at 1st November 2024, £184,684 EHF has been awarded, leaving £92,349 available for the remainder of the year.

Each year, EHF of approximately £33,000 is used to fund Council Tax discounts for care leavers. The Council provide up to a 100% discount of Council Tax to care leavers aged 18 or over, up to the date of their 25th birthday, who live in Sefton and who are looked after by the Council.

3. Council Tax Base 2025/26

In accordance with Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as amended, the Council is required to set a tax base for both Sefton Council and for each Parish Area for 2025/25 before 31st January 2025.

The proposed council tax base for Sefton Council and the Parish Areas is set out in Annex A of this report.

4. Financial Implications

Council Tax Reduction Scheme

There would be no additional revenue implications as a result of a decision to retain the current scheme, with the cost of the current Scheme discounts are reflected in the draft council tax base set out in Annex A of this report.

Council Tax Exceptional Hardship Fund

This report contains no proposals to change Council Tax Exceptional Hardship Fund budget for 2025/26 so there are no financial implications. However, it should be noted that as the amount of reserves available to carry forward has reduced in 2024/25 there will be less funding available in 2025/26 to meet the cost of EHF awards.

Council Tax Base

Changes to the council tax base will have an impact on the level of Council Tax income transferred from the Collection Fund to the Council's General Fund in 2025/26. It will also impact on the amounts due to the Police and Crime Commissioner, the Fire and Rescue Service, and the Combined Authority.

The following table shows the estimated increase in council tax income as a result of changes to the tax base between 2024/25 and 2025/26, based on the 2024/25 Council Tax Band D charge:

Council Tax Income	Sefton Council £ million	Police & Crime £ million	Fire & Rescue £ million	Combined Authority £ million
Draft Tax Base	1.769	0.241	0.083	0.017

5. Legal Implications

Local Council Tax Reduction Scheme

By Section 5 of Schedule 1A of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) for each financial year each billing authority must:

- (1) Consider whether to revise its Council Tax Reduction Scheme or to replace it with another scheme.
- (2) Make any revision to its scheme, or any replacement scheme, no later than 11 March in the financial year preceding that for which the revision or replacement is to have effect.
- (3) If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of person is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.
- (4) Before revising its scheme or making a replacement scheme, an authority must:
 - i. Consult any major precepting authority which has power to issue a precept to it.
 - ii. Publish a draft scheme in such manner as it thinks fit, and
 - iii. Consult other such persons as it considers are likely to have an interest in the operation of the scheme.

6. Corporate Risk Implications

The Council's Internal Audit team have carried out two reviews relevant to this report: a review of Housing Benefit / Council Tax Reduction Scheme administration (June 2023) and also a review of Council Tax collection / debt management (July 2024). The aim of both reviews was to provide senior managers in Corporate Resources with assurance that risks are being appropriately managed and mitigated. In both cases, the risk was determined as being minor.

7. Staffing HR Implications

The local Council Tax Reduction Scheme will continue to be administered from existing resources.

8. Conclusion

As a result of the review undertaken, it is proposed that the Council's local Council Tax Reduction Scheme for 2025/26 will remain unchanged to help maintain consistency and stability for those using it. The Scheme continues to address the Council's focus to minimise the impact on the most vulnerable households by striking a balance between collecting Council Tax whilst supporting those experiencing financial challenges.

The council tax base set out in Annex A has increased compared to 2024/25 which will assist in closing the budget gap faced by the Council in 2025/26.

Alternative Options Considered and Rejected

None, as following review, the scheme continues to address the Council's priorities to minimise the impact on the most vulnerable, by seeking to strike a balance between dealing with Council priorities whilst supporting those experiencing financial challenges.

Equality Implications:

Department for Communities and Local Government issued a report in February 2014 reminding local authorities of their key duties when deciding on local Council Tax Reduction Schemes:

- Public Sector Equality Duty (The Equality Act 2010)
- Duty to mitigate the effects of child poverty (The Child Poverty Act 2010)
- The Armed Forces Covenant
- Duty to prevent Homelessness (The Housing Act 1996)

An equality impact assessment has been undertaken as part of the review of the Council Tax Reduction Scheme and is available at Annex B. The assessment found that there are no disproportionate impacts; mitigating actions remain effective and valid continuing to support working families and vulnerable residents as follows:-

- The Council continues to provide a discretionary Exceptional Hardship Fund to assist financially vulnerable working age households and families as described in paragraph 2.10 above.
- Procedures and processes for collection of non-payment of Council Tax as set out at paragraph 2.7 above help to ensure that there is no disproportionate impact on the most vulnerable households.
- The Council continues to support the five principles set out for the Scheme as can be seen at the table at paragraph 2.9 above.
- Legislation remains in place to protect low-income pensioners from any reduction in support brought about by the introduction of the local Council Tax Reduction Scheme.

Impact on Children and Young People:

One of the Council's key principles for the Scheme is to recognise the additional needs of families with children. A summary of support provided by the Scheme is set out at in the table at 2.9 above.

In addition, the Council's Exceptional Hardship Fund provides Council Tax support to young people leaving care provided by Sefton Council as set out at 2.10 above.

Climate Emergency Implications:

The recommendations within this report will have a Neutral impact.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Commercial (FD.7885/24) and the Chief Legal and Democratic Officer (LD.5985/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Details of the review of the local Council Tax Reduction Scheme, the proposed scheme for 2025/26 and the Council Tax Base are provided to the precepting bodies, i.e., the Police and Crime Commissioner, Merseyside Fire and Rescue Service and the Liverpool City Region Combined Authority.

Implementation Date for the Decision:

Following the expiry of the “call-in” period for the Minutes of the Cabinet recommendation to Council and approval by Council on 16th January 2025.

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Appendices:

Annex A: Council Tax Base Report 2025/26

Annex B: Equality Impact Assessment: Council Tax Reduction Scheme

Background Papers: Not applicable.