

The background of the top half of the slide features a dark blue field with intricate white and light blue circular patterns. These include concentric circles, dashed lines, and radial tick marks, some of which are accompanied by numerical values such as 140, 150, 160, 170, 180, 190, 200, 210, 220, and 230. The overall aesthetic is technical and modern.

# COUNCIL TAX SUPPORT SCHEME FOR 2025/26

OVERVIEW SELECT COMMITTEE

12 DECEMBER 2024

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# *COUNCIL TAX SUPPORT: A BACKGROUND*

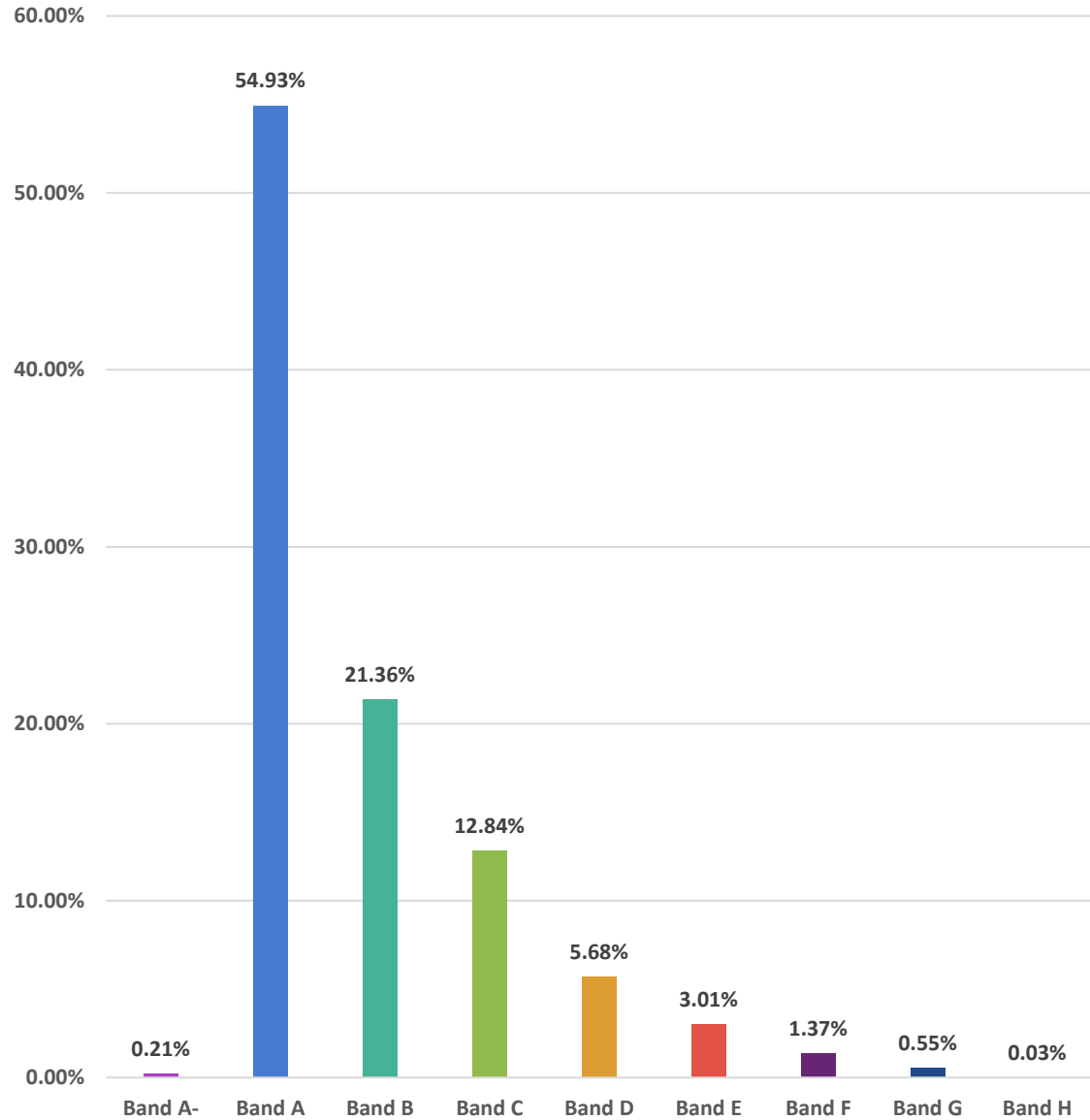
- Before 2013, government subsidized **Council Tax Benefit** – up to 100% support for low-income households
- From April 2013, replaced by **Council Tax Support** – unchanged for pension-age but 20% less funding for local authorities to design a scheme for working-age households.
- Since 2013 we have been one of the only Councils to fund a supplementary **Council Tax Discretionary Relief** scheme with a budget of **£500,000** p.a. to support the most vulnerable households (nearly 2,000 last year)
- Alongside this scheme, these households are also considered for eligibility for additional support with **Discretionary Housing Payments** and/or **Household Support Fund** assistance.
- During 2024/25 we are also allocating an additional **£400,000** of **Household Support Fund** monies to financially vulnerable households prior to migration to any new scheme.

# WHO PAYS COUNCIL TAX?

- 132,000 households pay council tax.
- Most properties (77%) are in Band A (£1,528) or B (£1,783).
- The average bill after exemptions, discounts and Council Tax Support is £1,417.
- The total due in 2024/25 is £187m.
- Low-income households can receive Council Tax Support. The total awarded is £26.9m.



# PROPERTIES IN LEICESTER BY BAND



# WHO RECEIVES HELP TO PAY THEIR BILL?

28,100 households receive Council Tax Support:

- 10,400 are pensioner households. They receive support of up to 100% of their tax. This scheme is set by the Government, and we cannot change it.
- 17,700 are working age households. They receive up to 80% of their tax. We are responsible for this scheme.
- The changes we are proposing only affect the working age scheme.



# WHAT IS OUR CURRENT COUNCIL TAX SUPPORT SCHEME?

It is a means-tested discount to council tax bills.

It was introduced in April 2013 and has not changed since before Universal Credit was introduced.

We consider each claimant's income and needs, as well as who lives in his/her household.

Over 90% of households who receive support live in band A or band B properties .

# WHY MIGHT A HOUSEHOLD RECEIVE NO, OR REDUCED COUNCIL TAX SUPPORT?

These are some reasons households would receive less than the maximum (currently 80%):



Someone with more than £6,000 in capital and savings.



Someone entitled to less than £4.65 per week (less than 14-20% of their bill)



Someone whose household income is higher than their calculated needs.



Someone with additional adults living in the household, particularly if they earn money.



Someone in a Band C or higher property – awards are capped at Band B.

**NO SUPPORT**

**REDUCED SUPPORT**



## *WHY DO WE WANT TO CHANGE THE SCHEME?*

It is complex both for residents and staff, particularly following the introduction of Universal Credit.

Entitlement is recalculated regularly, leading to multiple tax bills showing different discounts, making it difficult for households to budget.

The scheme is not targeted towards the most vulnerable, who are least able to find work.

The Council's financial position means we need to find ways to save money. The scheme is costly to administer and inflexible when consider savings opportunities.

# CASE STUDY 1: HOW SMALL CHANGES IMPACT COUNCIL TAX SUPPORT

- Single adult, Band A property – average 16 hours work per week + Universal Credit. £673 for the year, 10 x instalments of £67.
- Resident's bill is ultimately recalculated in total **9 times in 9 months** – each causes a new bill and reset payment plan, legal limit for next payment date is 14 days later to allow for the new bill to be received before it falls due – this means that previously set payment dates are missed
- Nov '23, income increased by **£9.67** – remaining instalments increased by **£65**
- by Jan '24 **£362.45** is due for the final instalment – despite the resident having not missed a payment or failed to report a change, and their income having changed by no more than £30 per week.
- In this case we were able to make a special payment arrangement and extend payments to 12 months – but many pay by 12 months as default – this is **by no means an extreme example!**

Proposed scheme, would be better off – 10 x instalments of £57 and no changes.

## Current scheme

CT bill	CT liability outstanding	CT instalment	Monthly income	% of monthly income required
April	£673.20	£70.20	£676.20	10.4%
May	£673.20	£67	£676.20	9.9%
June	£611.70	£79.70	£682.95	11.7%
July	£656.56	£92.56	£737.03	12.6%
August	£881.39	£224.83	£862.80	26.1%
September	£603.44	£119.44	£737.03	16.2%
October	£484	£121.00	£737.03	16.4%
November	£363	£121.00	£737.03	16.4%
December	£372.27	£186.27	£746.70	24.9%
January	£362.45	£362.45	£737.03	49.2%

## Proposed scheme

CT bill	CT liability outstanding	CT instalment	Monthly income	% of monthly income required
April	£573.13	£57.34	£676.20	8.5%
May	£515.79	£57.31	£676.20	8.5%
June	£458.48	£57.31	£682.95	8.4%
July	£401.17	£57.31	£737.03	7.8%
August	£343.86	£57.31	£862.80	6.6%
September	£286.55	£57.31	£737.03	7.8%
October	£229.24	£57.31	£737.03	7.8%
November	£171.93	£57.31	£737.03	7.7%
December	£114.62	£57.31	£746.70	7.8%
January	£57.31	£57.31	£737.03	7.8%

# OUR PROPOSAL

- The calculation will be **simplified**, with household income put into **income bands**. This means small changes will no longer trigger a recalculation.
- Fewer incomes will be disregarded, which the new bands will be increased to reflect. This also means fewer changes to entitlement.
- Child Benefit income will continue to be disregarded. Childcare costs will continue to be taken into account.
- Universal credit income for housing costs and Housing Benefit will continue to be disregarded.
- Disability income will be disregarded to the extent that it is received by more than one household member.
- **Vulnerable** households will receive a maximum discount of **100%** of a **Band C** property tax. One in five households will be considered “vulnerable”.
- Other households will receive a maximum discount of **75%** of a **band B** property, reduced from 80%.
- The calculation of deductions for **additional adults** in a household will be simplified.
- The capital limit of £6,000 will be unaffected.

*WHICH  
HOUSEHOLDS  
ARE CONSIDERED  
“VULNERABLE”?*

Those receiving at least one of:

- Middle or Higher Rate Care component of the Disability Living Allowance
- Enhanced Rate Daily Living Component of Personal Independence Payments
- Carers' Allowance or the Carer's Element of Universal Credit
- Income-related Employment & Support Allowance
- Support Component of contribution-based Employment & Support Allowance
- UC with a Limited Capability for Work or Limited Capability for Work Related Activity Element
- Households where a dependent child or young person is in receipt of a disability benefit.

# OUR PROPOSED SCHEME – INCOME BANDS

		Vulnerable				Other			
Income Band	Discount	Single Person	Couple with no children	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons	Single Person	Couple with no children	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
Weekly Net Income (after tax and N.I.)									
1	100%	£0 to £150	£0 to £150	£0 to £150	£0 to £225	N/A	N/A	N/A	N/A
2	75%	£150 to £225	£150 to £225	£150 to £300	£225 to £375	£0 to £150	£0 to £150	£0 to £150	£0 to £225
3	50%	£225 to £300	£225 to £300	£300 to £450	£375 to £450	£150 to £225	£150 to £225	£150 to £300	£225 to £375
4	25%	£300 to £375	£300 to £375	£450 to £525	£450 to £525	£225 to £300	£225 to £300	£300 to £450	£375 to £450
5	0%	£375+	£375+	£525+	£525+	£300+	£300+	£450+	£450+

## *HOW DOES THIS IMPACT HOUSEHOLDS?*

Setting the bands in this way would lead to:

- 4,200 households would pay less council tax (primarily the vulnerable group) by an average of £4.80 per week;
- 13,500 households would pay more, including 1,900 who would cease to receive support. These households lose an average of £6.25 per week.

This would be the average impact over the year - with less changes households would still be more likely to find it easier to budget month by month.

We will also mitigate any negative impact through:

- We will promote the Council Tax Discretionary Relief Fund and increase funding from £0.5m to £0.75m for two years.
- We will explore support which can be offered from the Household Support Fund (while it lasts)

# CASE STUDY 2 – SINGLE VULNERABLE PERSON

- Resident in a band A property has an assessable income of **£138.20 per week**, including Employment & Support Allowance.
- Receives support of 100% of their Council Tax (**increased** from 80% under the current scheme)
- No income changes, so currently pays 10 x instalments of £23.

## HOUSEHOLD INCOME (weekly):

Employment & Support Allowance	£90.50
E&SA Support Component	£47.70
Housing Benefit (disregarded)	£90
Council Tax Support (disregarded)	£17.63
<b>Total (including disregarded):</b>	<b>£245.83</b>

	Council Tax Support		Council Tax to pay	
	Weekly	Annually	Weekly	Annually
<b>Current scheme</b>	£17.63	£917	£4.41	£229.26
<b>Proposed scheme</b>	£22.04	£1,146.26	£0	£0
<b>Better / worse off</b>			<b>+£4.41</b>	<b>+£229.26</b>



## CASE STUDY 3 – SINGLE VULNERABLE PERSON, ADDITIONAL ADULT WITH EARNINGS IN HOUSEHOLD

- Resident has an assessable income of **£224 per week** including Personal Independence Payments (enhanced, daily living)
- Maximum support would be 100% of their council tax, but this reduces to 75% due to income.
- The additional adult further reduces support to 55% of tax
- Support **increases** from 40% of tax under the current scheme

### HOUSEHOLD INCOME (weekly):

Personal Independence Payments	£108.55
Earned income (after tax/N.I.)	£115.45
UC Housing Costs (disregarded)	£115
Council Tax Support (disregarded)	£11.76
Non-dependant income	£220
<b>Total: (including disregarded)</b>	<b>£570.76</b>

	Council Tax Support		Council Tax to pay	
	Weekly	Annually	Weekly	Annually
<b>Current scheme</b>	£8.82	£458.50	£13.23	£687.75
<b>Proposed scheme</b>	£12.12	£630.44	£9.92	£515.82
<b>Better / worse off</b>			<b>+£3.31</b>	<b>+£171.93</b>

## Current scheme

CT bill	CT liability outstanding	CT instalment	Monthly income	% of monthly income required
April	£687.75	£68.82	£1924	3.6%
May	£687.75	£68.77	£1924	3.6%
June	£672.59	£91.70	£1953	4.7%
July	£747.50	£143.41	£1934	7.4%
August	£1,037.82	£142.92	£2104	6.8%
September	£734.05	£299.72	£1853	16.2%
October	£607.62	£159.25	£1910	8.3%
November	£469.86	£161.33	£1989	8.1%
December	£483.27	£248.36	£1996	12.4%
January	£483.27	£483.27	£1996	24.2%

## Proposed scheme

CT bill	CT liability outstanding	CT instalment	Monthly income	% of monthly income required
April	£515.82	£51.60	£1924	2.7%
May	£464.22	£51.58	£1924	2.7%
June	£412.64	£51.58	£1953	2.6%
July	£361.06	£51.58	£1934	2.7%
August	£481.41	£80.24	£2104	3.8%
September	£315.21	£63.05	£1853	3.4%
October	£252.16	£63.04	£1910	3.3%
November	£189.12	£63.04	£1989	3.3%
December	£126.08	£63.04	£1996	3.3%
January	£105.09	£63.04	£1996	3.3%

## CASE STUDY 4 – TWO CHILD FAMILY, NOT VULNERABLE

- Resident and partner in a band A property have an assessable income of **£370 per week**.
- Child benefit is disregarded from the calculation of income
- Receives support of 50% of their council tax bill.
- Support **decreases** from 80% under the current scheme)
- This household would be proactively targetted with council tax discretionary relief and other available discretionary support.

### HOUSEHOLD INCOME (weekly):

Earned income (after tax/N.I.)	£250
UC Personal Allowance	£120
Child Benefit (disregarded)	£42.55
UC Housing Costs (disregarded)	£178.36
Council Tax Support (disregarded)	£23.51
CTDR (disregarded)	£5.88
DHPs (disregarded)	£16.64
<b>Total: (including disregarded)</b>	<b>£636.94</b>

	Council Tax Support		Council Tax to pay	
	Weekly	Annually	Weekly	Annually
<b>Current scheme</b>	£23.51	£1,222.67	£5.88	£305.67
<b>Proposed scheme</b>	£14.70	£764.17	£14.70	£764.17
<b>Better / worse off (average)</b>			<b>-£8.82</b>	<b>-£458.50</b>

## Current scheme

CT bill	CT liability outstanding	CT instalment	Monthly income	% of monthly income required
April	£305.67	£30.63	£1,603	1.9%
May	£305.67	£30.56	£1,603	1.9%
June	£275.60	£35.07	£1,580	2.1%
July	£294.66	£40.73	£1,720	2.6%
August	£394.01	£98.93	£1,550	5.8%
September	£268.70	£52.55	£1,580	3.4%
October	£214.66	£53.24	£1,590	3.3%
November	£160.36	£53.24	£1,600	3.3%
December	£163.80	£81.96	£1,501	5.1%
January	£159.48	£159.48	£1,501	10.2%

## Proposed scheme

CT bill	CT liability outstanding	CT instalment	Monthly income	% of monthly income required
April	£764.17	£76.42	£1,603	4.8%
May	£687.75	£76.42	£1,603	4.8%
June	£611.33	£76.42	£1,580	4.8%
July	£936.18	£133.74	£1,720	7.8%
August	£401.22	£66.87	£1,550	4.3%
September	£334.35	£66.87	£1,580	4.2%
October	£267.48	£66.87	£1,590	4.2%
November	£200.61	£66.87	£1,600	4.2%
December	£133.74	£66.87	£1,501	4.5%
January	£66.87	£66.87	£1,501	4.5%

# SAVINGS



Although cost savings are not the main objective of the consultation, we are proposing that a larger proportion of our Council Tax receipts are retained to protect essential spending.



As the bands are currently set, our proposal would save the Council £2.4m in expenditure.



A further £0.4m would be achieved in efficiency saving from reduced administration.



The Fire & Police services will also save £0.4m.

# CONSULTATION FEEDBACK

- 280 responses from public, no objections from preceptors, Fire Service wrote in support.
- Proposal supported in all elements – 71% support banded income scheme concept.
- Support strongest for separate scheme for vulnerable households (87%) and disregarding War Pensions (92%)
- Support weakest as to whether the income bands are fair (61%) and simplifying non-dependant deductions (63%)



## ALTERNATIVE MODELS

There are three effective methods for amending the banded scheme, presented here with advantages and disadvantages –

- **Adding more bands** (the percentage ‘steps’ based on income),
- **Adding more categories** (the columns based on household composition),
- **Adding more income disregards** (in addition to child benefit etc).

We do not recommend other alternative changes:

- **Expanding income allowances** (for example, adding £50 or £100 to each existing band) – this would open the scheme to an unknown number of households who currently do not qualify.
- **Changing only one band**, for example increasing just the 75% maximum band to 80%. This would be potentially unfair as a ‘lopsided’ scheme leading to a 30% drop in award when transitioning to a ‘Band 3’ income.
- **Reverting to the previous scheme with a higher minimum payment, or any other new method of calculation** – this would require a new consultation.

# OPTION 1: ADDING MORE BANDS

## ADVANTAGES:

- could allow retaining maximum 80% award
- 'fairer' in some circumstances due to less severe 'cliff edge' changes in award

## DISADVANTAGES:

- cost implications
- more frequent changes in entitlement throughout the year.

*Example: 100/80/60/40/20% instead of 100/75/50/25%*

		Vulnerable				Other			
Income Band	Discount	Single Person	Couple with no children	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons	Single Person	Couple with no children	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
<b>Weekly Net Income (after tax and N.I.)</b>									
1	100%	£0 to £150	£0 to £150	£0 to £150	£0 to £225	N/A	N/A	N/A	N/A
2	80%	£150 to £225	£150 to £225	£150 to £275	£225 to £300	£0 to £150	£0 to £150	£0 to £150	£0 to £225
3	60%	£225 to £275	£225 to £275	£275 to £375	£300 to £375	£150 to £225	£150 to £225	£150 to £275	£225 to £300
4	40%	£275 to £325	£275 to £325	£375 to £450	£375 to £450	£225 to £275	£225 to £275	£275 to £375	£300 to £375
5	20%	£325 to £375	£325 to £375	£450 – £525	£450 – £525	£275 to £325	£275 to £325	£375 to £450	£375 to £450

## FINANCIAL IMPACT:

Reduce savings by **£930k (including administration)**

948 less households without entitlement **(compared to proposed scheme)**



# OPTION 2: ADDING MORE CATEGORIES

## ADVANTAGES:

- arguably fairer
- offers more to address child poverty

## DISADVANTAGES:

- potentially significant cost implications depending on bands set

		Vulnerable					Other				
Income Band	Discount	Single Person	Couple with no children	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons	Couple/Lone Parent with three or more children/young persons	Single Person	Couple with no children	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons	Couple/Lone Parent with three or more children/young persons
Weekly Net Income (after tax and N.I.)											
1	100%	£0 to £150	£0 to £150	£0 to £150	£0 to £200	£0 to £250	N/A	N/A	N/A	N/A	N/A
2	75%	£150 to £225	£150 to £225	£150 to £300	£200 to £350	£250 to £400	£0 to £150	£0 to £150	£0 to £200	£0 to £250	£0 to £250
3	50%	£225 to £300	£225 to £300	£300 to £375	£350 to £400	£400 to £450	£150 to £225	£150 to £225	£200 to £350	£250 to £400	£250 to £400
4	25%	£300 to £375	£300 to £375	£375 to £450	£400 to £500	£450 to £550	£225 to £300	£225 to £300	£300 to £400	£350 to £400	£400 to £450
5	0%	£375+	£375+	£450+	£500+	£550+	£300+	£300+	£375+	£400+	£450+

## FINANCIAL IMPACT:

Reduce savings by **£350k**

**194 less households without entitlement (compared to proposed scheme)**

# OPTION 3: DISREGARDING OTHER INCOMES

## ADVANTAGES:

- Arguably fairer

We could consider:

- Disregard income from Disability Living Allowance, Personal Independence Payments
- Disregard income from Carers Allowance, Attendance Allowance
- Allow 'passporting' (automatic maximum entitlement) to recipients of JobSeekers allowance (income-based), Income Support, Employment & Support Allowance (income-related)
- Reintroduce earnings disregard (First £10 of earnings, £25 for lone parents)

## DISADVANTAGES:

- cost implications
- Adds to scheme complexity
- Does not directly help families

## FINANCIAL IMPACT

Reduce savings by **£1.38m (including administration)**

885 less households without entitlement **(compared to proposed scheme)**

# TIMETABLE

<b>Publication of draft scheme</b>	<b>27<sup>th</sup> September 2024</b>
<b>Consultation with public</b>	30 <sup>th</sup> September – 10 <sup>th</sup> November
<b>Consultation analysis</b>	11 <sup>th</sup> November – 29 <sup>th</sup> November
<b>Council decision</b>	16 <sup>th</sup> January 2025
<b>New scheme live as part of council tax billing 2025/26</b>	1 <sup>st</sup> April 2025

## *WHAT THE CHANGES DO NOT AFFECT?*

- Council Tax Support available to people of pension age.
- The 25 per cent single person's council tax discount
- Tax exemptions for people who are severely mentally impaired and live on their own
- Discounts for care leavers

# *WHAT OTHER FINANCIAL HELP IS THERE?*

## **Council tax Discretionary Relief (£500k, increasing to £750k)**

- Leicester is one of only a few councils who offer this additional financial support
- Will be promoted to affected households

## **Discretionary Housing Payments (£650k):**

- Supports tenants' rents

## **Community Support Grant (£270k):**

- Crisis awards (food and fuel)

## **Household Support Fund:**

- Further £3.4m to April 25
- Can be used to provide targeted Council Tax support
- Budget for 25/26 TBC

***ANY QUESTIONS?***

