

Committee/Date:	14 December 2023
Report Title:	Local Council Tax Support Scheme 2024/25
Directorate:	Resources
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Wards affected:	All
Public Access	Open
Appendices	<p>Appendix 1 – Equality Analysis October 2023 Appendix 2 – Discretionary Housing Payment and Council Tax Hardship Scheme 2022-23</p>

## 1. SUMMARY

- 1.1 Low income working age residents who are unable to pay their Council Tax bill can receive assistance through the Council's local Council Tax Support Scheme. The current scheme was approved by Council on 2 March 2023 and commenced on 1 April 2023.
- 1.2 A report went to Cabinet on 2 November 2023 to consider the scheme. Cabinet's recommendation to Council is that the current Council Tax Support Scheme continues for a second year; whereby the maximum award available to working aged people receiving support remains at 85% for the Council Tax billing year 1 April 2024 to 31 March 2025.
- 1.3 This report seeks approval of Full Council to continue the scheme as recommended by Cabinet.

## 2. RECOMMENDATION

- 2.1 For the reasons given in this report, Council is recommended to:
  - **Agree** that the current Council Tax Support Scheme as outlined in 4 below continues; whereby the maximum award available to working aged people receiving support remain at 85% from 1 April 2024.

- **Note** that like Housing Benefit the scheme will continue to fully disregard War Widows & War Widowers pensions for all applicants. Various other incomes, for example, Child Benefit, Disability related benefits such as Personal Independence Payments, will also continue to be ignored when calculating entitlement to Council Tax Support.
- **Note** that the projected cost of the whole scheme is identified as £19.92 million which is £1.632 million more than the 2023/24 MTFS provision. This will be reflected in the calculation of the council tax base for 2024/25 and included within the next MTFS as part of the budget setting process. The additional £1.632 million needed to fund the scheme will come from dedicated earmarked reserve of recovered housing benefit overpayment debts.
- **Agree** that the Council continue with a Discretionary Council Tax Hardship Scheme under section 13A(1)(c) of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012), to offer additional help to those suffering the greatest financial hardship as defined in the Discretionary Housing Payment and Council Tax Hardship Scheme as published on the Council's website. Current 2022-23 scheme attached (Appendix 2). This is subject to an aggregate of £750,000.
- **Agree** that the detailed provisions of the council's final scheme remains broadly similar to that currently published on the Council's website with the exception other amendments required to reflect continued changes to welfare benefits and Universal Credit.
- **Delegate** responsibility to make any minor and consequential changes, including the correction of accidental errors, necessary to the detailed provision as a result of any changes in the regulations upon which the scheme is based to the Strategic Director of Resources following consultation with the Portfolio Lead Member for Finance and Resources.
- **Note** that before any significant changes to the scheme reducing or removing support could be made that a statutory consultation would need to be carried out.

### 3. BACKGROUND

3.1 The Council Tax Support scheme helps people on low incomes to pay their Council Tax through an online application based process. The sums awarded automatically reduce the amount households are expected to pay and they are sent reduced bills net of the awards. There are two distinct schemes:

3.1.1 **A pension age scheme:** - a national scheme which offers up to 100% support. The rules and conditions of award under this

scheme are legislated for by Government. Currently 5,594 households receive support under the national scheme.

- 3.1.2 **A working age scheme:** - a local scheme whereby each council designs the rules and conditions of award. This is the Council's scheme outlined in the report which currently supports 9,247 households.

Both schemes are administered by the Council and share the same funding provisions through a combination of the Revenue Support Grant the Council receives from Government and Council budget.

- 3.2 The Council's current scheme for working aged people began on 1 April 2023 and is the fourth scheme implemented locally. Each scheme implemented since 1 April 2013 has kept the means-tested design principles of the abolished national Council Tax Benefit (CTB) scheme which they replaced. In doing so, they have also been broadly similar to, but less generous than, the government's national pensioner Council Tax Support scheme.

- 3.3 The Earlier schemes were designed to be self-funded; meaning that the cost of the scheme did not exceed the estimated funding received from Government. Over the years various changes have been introduced that limited the level of support available to working age households to make them more affordable. The most recent reduction measures were implemented from April 2017. They included:

- Introducing a minimum award level of £1.00 per week - meaning residents that would otherwise be entitled to ninety-nine pence (£0.99 pence) or less support per week receive no help at all from the scheme.
- Increasing the taper applied to a person's income when it is higher than the amount we consider they need to live on to 30 per cent of the extra income.
- Removing support entirely from residents with capital / savings of £6000 or more.

However, the erosion of government funding to local authorities, Council Tax rises, and the increased value of individual CTS awards, now means that both the government's national pensioner scheme and the council's own working aged scheme are largely funded through council budgets.

- 3.3 In response to the economic climate and the Cost-of-Living crisis, Council consulted and introduced a more generous scheme from 1 April 2023. This resulted in the maximum level of support available to working age recipients of the scheme increasing by 9% from 76% to 85% of a person's eligible Council Tax liability. The additional cost of this increase in 2023/24 (£1.282 million) was funded through a one-off contribution from the Housing Benefit overpayment earmarked reserve.

- 3.4 The Council also continued to administer a discretionary fund of up to £750,000 to provide extra support to those suffering the greatest financial hardship.

#### **4. PROPOSAL**

- 4.1 It is now being proposed that Council continue the current more generous scheme which is as published on the Council's website with only necessary minor and consequential adjustments made to reflect Government changes to the amount and treatment of welfare benefits, including Tax Credits and Universal Credits. This would mean that for example:

- the maximum support available to working age households would remain capped at 85% of their Council Tax liability.
- The standard fixed rate non-dependant deductions for other adults (people over 18) living in a household would continue as now.
- The taper applied to a person's income when their income is higher than their needs allowance would continue 30% of the excess income.
- The capital/savings limit for getting support would continue at £6,000; and,
- The minimum award level of £1.00 would continue.

- 4.2 The estimated costs of continuing the current scheme in 2024/25 is £19.92million, this is an increase of £350,000 on the current year but is £1.632 million more than the previous scheme which had a maximum award of 76%. To meet the budget gap it is being proposed that the additional £1.632 million is covered from identified earmarked reserves arising from recovered Housing Benefit overpayments debts that were caused by fraud or failure to report changes in circumstances, so are unrelated to Council Tax collection.

- 4.3 The option of continuing with the existing scheme is recommended because it will continue to provide a degree of financial certainty about the level of support available to those already in receipt of support and additional financial support to those applying under the scheme for the first time. Other impacts include:

- Working age recipients would receive an average increase of 5.46% which would partially offset any increase in Council Tax
- The average weekly support for working-age households in 2024/25 would be £1.19 higher than 2023/24 for those on Universal Credit and £1.30 for those that are on legacy welfare benefits.

- 4.4 The continuation of the discretionary hardship element, subject to an aggregate of £750,000, to provide additional support in addition to CTS would help to mitigate some of the impact any increase in council tax would have on households and would be available as a safety net for those residents experiencing the greatest financial hardship, including non-recipients of CTS.

- 4.5 The local scheme continues to disregard War Widows/Widowers pensions and various other incomes such as Child Benefit, Disability Living Allowance and Personal Independence Payment.
- 4.6 Work incentives continue to be built into the scheme by disregarding an amount of earned income, making allowances for childcare costs incurred by working parents and continuing to offer extended periods of support to long-term unemployed people who start work.

## **OPTIONS AND ALTERNATIVES**

- 4.4 It is a statutory requirement that Council considers and adopts a CTS scheme from 1 April 2024 and identifies the sources of funding.
- 4.5 It is recommended that the Council continue with the current scheme and that the additional £1.632 million funding required to do so is funded from dedicated reserves.
- 4.6 Members should however be aware that there are also other options available to the Council for a CTS scheme from 1 April 2024. The choices available are to continue with the existing scheme as recommended or to design and consult on an alternative, either less generous or a more generous scheme.
- 4.7 A less generous scheme option the Council could choose is to return to the previous scheme that was operational between 2017/18 and 2022/23 in which maximum CTS award was capped at 76% of liability. This would mean that working aged households would be required to pay at least 24% of their Council Tax themselves instead of the proposed 15% contribution. The estimated cost of this option is £18.603 million, which is £315,000 more than the £18.288 million identified in the MTFS for 2023/24 and £1.281 million lower than the proposed scheme.

This option is not recommended because of the continuing cost of living crisis and the number of households in the borough suffering from food and fuel poverty. Any reduction in the CTS support level would diminish the financial resilience of affected households even further.

- 4.8 The Council could alternatively consider making the scheme more generous, potentially increasing support up to 100% for working aged households. However, to do so would require the Council to find a minimum of £3.6 million additional funding and to identify how it would be funded, that is; through service reductions, increasing Council Tax beyond the government permitted levels triggering a referendum or, in the short term, by using reserves and would not address the on-going financial requirement. This option is not recommended as the current MTFS is forecasting a funding gap in 2024/25 and 2025/26, and reserves could be required to manage some of this gap whilst longer-term solutions are identified.

- 4.9 Before any significant change can be made to the scheme there is a legislative requirement to undertake a full consultation with residents, the GLA and other stakeholders. Legislation dictates that the Council must decide on a scheme by 11 March each year, but as the cost of the CTS scheme forms part of the budget setting process and Council Tax annual billing, approval for a new scheme would need to be made by the date the budget for 2024/25 is set in February 2024. Adopting a significantly different scheme without following the statutory requirements to consult would be unlawful.

## **5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)**

- 5.1 This report impacts on the economic sustainability of many individuals and families in the borough. Continuation of the current scheme would maintain a higher level of support to working aged recipients in response to the impact of Cost of Living crisis on low income and otherwise vulnerable residents. The scheme also includes the continuation of a Discretionary Hardship Scheme to offer additional assistance and support to those suffering the greatest financial hardship.

## **6. CONSULTATION**

- 6.1 The Council is under a statutory duty to consult on its Council Tax Support scheme. Consultation on the existing scheme was carried for 1 month starting from 11 October and 11 November 2022 with the GLA (a precepting authority) and the public. Council Tax Support recipients, other residents, Landlords, and stakeholders were asked their views were asked their views on the choice of changing the scheme in existence at the time or continuing with the existing scheme. They were also specifically asked if they wished to put forward any alternatives of their own.
- 6.2 Any substantial modification of the scheme now or in the future would require a further public consultation prior to any changes being implemented.

## **7. IMPLICATIONS**

### **7.1 Finance, Value for Money and Risk**

- 7.1.1 Along with the introduction of Council Tax Support Government rolled its Grant funding into the overall Settlement Funding Assessment to local authorities and a proportion of the scheme is funded through the Revenue Support Grant (RSG) system. The consequences are that as RSG has been scaled back each year, the funding for this scheme has also reduced significantly.
- 7.1.2 The implicit reduction of CTS funding from the Government through reductions to the Revenue Support Grant led Council to adopt the principle of having a self-funding CTS scheme whereby the cost of the

scheme would not exceed the level of funding available. That policy was designed to ensure that Council Tax payers were not disadvantaged by the transfer of risk associated from the funding of this scheme from the DWP to Local Government.

- 7.1.3 Continual reductions in the RSG has resulted in the annual cost of the scheme from 2019/20 onwards exceeding the government funding envelope, requiring Council to fund the gap, and in doing so to move away from the principle of a self-funded scheme.
- 7.1.4 The financial landscape for Local Government remains incredibly volatile at present as the impact of interest rates rises and the Cost of Living crisis are yet to be fully understood in the context of local government funding. This funding stream has largely been a combination of Revenue Support Grant (RSG) and a local share of business rates (subject to a further top-up grant to maintain baseline funding levels).
- 7.1.5 The funding associated with CTS scheme in the current 2023/24 MTFS is £18.288 million although the scheme is estimated to costs £19.570 million. The funding gap will be met from a one-off contribution of £1.282 million from recovered housing benefit overpayments. To continue to provide a more generous 85% scheme going forward, the proposal is to fund the difference in cost between the 76% scheme and maintaining the 85% scheme from reserves over the next two years. However, should this level of support continue beyond that, a longer term solution will need to be found.
- 7.1.6 The projected funding gap in the cost of the proposed scheme for 2024/25 is £1.632 million more than the current £18.288 built into the MTFS for 2023/24 and the estimated costs of £19.92 million in 2024/5. However, the gap will be covered from identified money from reserves. Other assumptions have been made in calculating the scheme's costs for next year such as, a similar increase in Council Tax to 2023/24 inclusive of the GLA's share, a 4% increase in the unemployment claims for CTS support and an anticipated further 30% of the working-aged CTS caseload moving onto Universal Credit due to managed migration, thus reducing the level of individual awards.
- 7.1.7 The cost of the scheme will need to be closely monitored and reviewed.

## **7.2 Legal**

- 7.2.1 The Local Government Finance Act 2012 made provision for amending the Local Government Finance Act 1992 (LGFA) to provide for the implementation of localised Council Tax Support schemes in England with effect from April 2013. This required local councils to design their own schemes to administer council tax support for working aged people, working within a framework set out in the legislation.
- 7.2.2 Paragraph 3 in Schedule 1A of the LGFA 1992 requires that before making any changes to a scheme the Council must consult any major precepting authorities; publish a draft scheme and consult such

persons as are likely to have an interest in such manner as the Council considers appropriate.

- 7.2.3 Council is being asked to approve the continuation of the current Council Tax Support Scheme for a second year from 1st April 2024. The current scheme was adopted following a consultation process which complied with the legal requirements. At the time of the decision to adopt the scheme (with annual reviews) Members had regard to the views expressed as well as the alternative options. The options to members under this review of the scheme are set out in Part 4 of the report and at this point, were the Cabinet minded to consider changes to the operation of the current scheme consultation would be necessary.
- 7.2.4 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must further consider its wider Public Sector Equality Duty (PSED) under s.149 of the Equality Act 2010 when making its decision. Members are referred to Appendix 1, (the Equality Analysis) that sets out the nature of the duty; and which reflects the position four years into the scheme.
- 7.2.5 Members must carefully consider the impacts identified and be satisfied that the mitigation set out provides a sufficient safety net.

### **7.3 Equalities and Diversity**

- 7.3.1 An updated equality Analysis has been completed (Appendix 1). It should be noted that as this scheme offers support for some of the poorest residents in the borough and as the value of awards is capped at less than 100% of Council Tax liability for working age recipients, it will have an impact on their financial stability. Therefore, all recipients of support under the Council's scheme are considered to be at a socio-economic disadvantage, particularly lone parents (more likely to be women), part time workers (more likely to be women) and large households (more likely to be from BME backgrounds).
- 7.3.2 No added adverse impacts have been identified on any equality groups as a result of these proposals as implementation of the proposed scheme would result in an increase in the level of award offered to recipients of the scheme. As the proposed scheme continue to cap support at less than 100% the following are identified as mitigating steps:
- Work incentives are built into the scheme by disregarding an amount of earned income, making allowances for childcare costs incurred by working parents and by continuing to award the same level of support for a short period after someone starts work (4 weeks).
  - Continuing to ignore income such as child benefit, Disability Living allowance and Personal Independence Payment when calculating entitlement to support. As well as disregarding War Disablement, War Widows/Widowers pensions.



- Continuing the £750,000 Discretionary Fund to support those individuals suffering the most financial hardship by offering short (and where necessary) long-term support for the most vulnerable households will ensure those needing support will not be disadvantaged because they are unable to work due to any disability.
- The council has a dedicated Employment, Business and Skills Service. Interested households are actively supported to move into work where possible through referral into the council's Employment Business and Skills Service and the Fair Deals Jobs programme which also supports residents with skills, qualifications, improved language skills and to maximise incomes. Details of current programmes can be found at [www.walthamforestjobs.org](http://www.walthamforestjobs.org)

#### **7.4 Sustainability (including climate change, health, crime and disorder)**

7.4.1 There are no implications on sustainability, climate change & environment.

#### **7.5 Council Infrastructure e.g. human resources, accommodation or IT issues**

7.5.1 The proposals will be met within the existing Council infrastructure and resources.

#### **BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)**

None