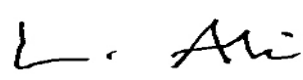


LONDON BOROUGH OF WALTHAM FOREST

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|-----------------------------------|--|--|
| Meeting / Date | Cabinet 4 November 2021 | |
| Report Title | Local Council Tax Support Scheme 2022-23 | |
| Cabinet Portfolio | Councillor Liaquat Ali, Portfolio Lead Member for Transformation & Commercial Operations |  |
| Report Author/ Contact details | Nalda Russell-Stowe, Divisional Director, Revenues and Benefits Telephone: 020 8496 8480 Email: nalda.russell-stowe@walthamforest.gov.uk | |
| Wards affected | All | |
| Public Access | OPEN | |
| Appendices | Appendix 1 – Updated Equality Analysis for 2022-23 Appendix 2 – Discretionary Housing Payment and Council Tax Hardship Scheme 2021-22 | |

1. SUMMARY

- 1.1 The Council's local Council Tax Support (CTS) scheme assists low-income working age households to pay their Council Tax via financial reductions applied directly to their Council Tax bills. The current scheme commenced on 1 April 2017 and in November/ December 2020 Cabinet and Council respectively approved the continuation of that scheme in 2021/22.
- 1.2 The scheme is published along with the 2016 Equality Analysis, report to Cabinet and Council, and is available on the Council's website at this link <http://democracy.walthamforest.gov.uk/documents/g4086/Public%20reports%20pack%2015th-Dec-2016%2019.30%20Council.pdf?T=10>.
- 1.3 It is a statutory requirement that Council considers and adopts a CTS scheme annually and identifies the sources of funding.
- 1.4 This report seeks approval to continue the scheme approved above in 2022/23

2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:

- 2.2 **Recommend** to Full Council that the current Council Tax Support Scheme continues whereby the maximum award available to working age people receiving support remains at 76% for the Council Tax billing year 1 April 2022 to 31 March 2023.
- 2.3 **Recommend** to Full Council that the Council continues with the £750,000 earmarked in reserves for a Discretionary Hardship Fund 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 and support to those suffering the greatest financial hardship as defined in the Discretionary Housing Payment and Council Tax Hardship Scheme published on the Council's website. Current 2021/22 scheme attached (Appendix 2).
- 2.4 **Note** that the remaining provisions of the Council's scheme for 2022/23 will be as published on the Council's website.
- 2.5 **Note** that the cost of the scheme significantly exceeds the assumed Government funding envelope. The projected cost of the scheme will be reflected in the calculation of the council tax base for 2022/23 and will be included within the next MTFS refresh as part of the budget setting process.
- 2.6 **Note** 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. PROPOSALS

- 3.1 CTS is a scheme designed help people on low incomes to pay their Council Tax by reducing the amount they are expected to pay. There are two distinct schemes:
- **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.
 - **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.

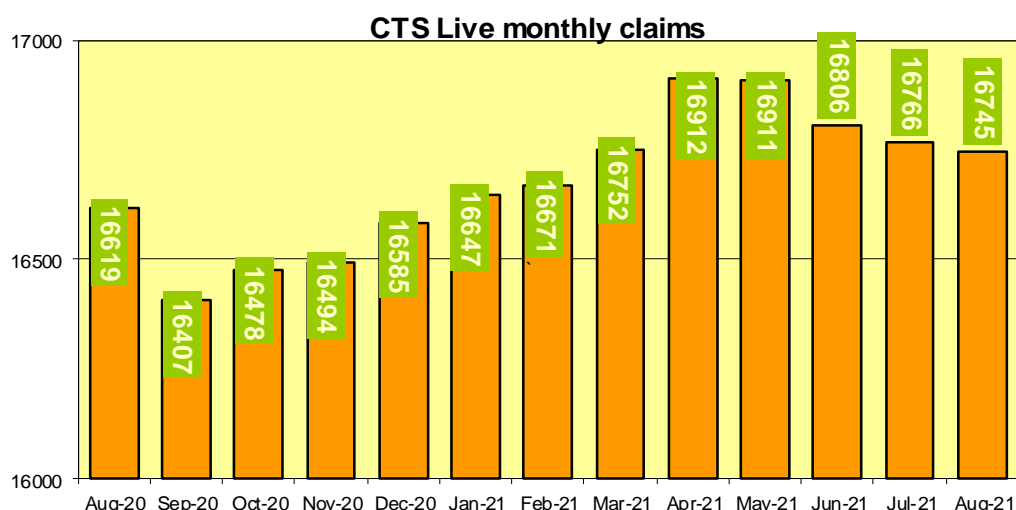
Both schemes are administered by the Council and they share the same funding provisions through the Revenue Support Grant the Council receives from Government.

- 3.2 The Council's current local CTS scheme for working age people commenced on 1 April 2017. The scheme is a continuation of the Council's first scheme introduced on 1 April 2013 to replace the abolished national Council Tax Benefit (CTB) scheme. Both schemes were designed to be self-funding; meaning that the cost of the scheme would not exceed the funding available from Government. Over time changes have been made to the initial scheme to maintain its self-funding principle adopted in 2013.

- 3.3 Key changes were introduced from April 2017 in line with the principle of keeping the scheme as close to self-funding as possible; these were:
- The taper applied to a person's income when their income is higher than their needs allowance increased from 25% to 30%; and
 - A minimum award level of £1.00 per week was introduced. Meaning that 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.
- 3.4 In recognition of the impact these changes would have on low income working age households the Council continued administering a discretionary fund of up to £750,000 to assist those suffering the greatest financial hardship.
- 3.5 It is now being proposed to continue the current 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.
- 3.6 The annual cost of the scheme from 2019/20 onwards has exceed the funding envelope, requiring Council to fund the gap, and in doing so to move away from the self-funding principle. Nevertheless, Council have approved meeting the funding gap as, the right thing to do, in prior years in the context of the general budget strategy and in recognition of the social and economic impact of the Government's welfare reform programme on working age residents.
- 3.7 The modelled cost of the scheme in the current year (2021/22) was predicted to be £19.4million. However, updated expenditure analysis has identified that the scheme is now projected to cost around £1.8 million less than previous assumptions at around £17.6million.

The reduction in expenditure has largely occurred for two reasons. Firstly, the pensioner CTS caseload has decreased by around 4% over the last year and secondly, due to falling unemployment rates in the borough. It was previously assumed that the working age CTS caseload would increase in-year by 2,500 due to rising unemployment. However, whilst unemployment rates in the borough have remained higher than the London average, after peaking in March 2021 at 10.5% it has steadily reduced month on month and so has the CTS caseload.

| monthly unemployment rates | | | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Area | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 |
| Waltham Forest | 9.9 | 10.5 | 10.6 | 10.5 | 9.9 | 9 | 8.8 | 8.6 |
| London | 8 | 8.4 | 8.4 | 8.3 | 7.9 | 7.3 | 7.1 | 7 |



- 3.8 It is anticipated that the Council Tax Support caseload will experience a short-term rise from October 2021 as furlough ends and more businesses go into liquidation. Then, begin reducing again in the final quarter of the year along with unemployment rates. The caseload is then expected to stabilise in 2022/23 as any increase in the working age caseload is offset by a predicted reduction in the pension age caseload.
- 3.9 Maintaining the current scheme in 2022/23 would require the Council to meet a potential funding gap of £4.31million.
- 3.9 The tables below show budgeted expenditure and the revised estimated costs of the scheme in the current year (2021/22).

| Table 1 | |
|---|------------|
| Estimates approved by Council for 2021/22 | |
| Estimated Government grant | £13.4m |
| Expenditure approved by Council | £19.4m |
| Budgeted funding gap | £6m |

| Table 2 | |
|--|--------------|
| Revised based on actual spend 30/09/2021 | |
| Actual expenditure at 30/09/2021 | £17.4m |
| Revised projected expenditure | £17.6m |
| Revised estimated funding gap | £4.2m |

- 3.10 The scheme's costs for 2022/23 have been modelled on several assumptions. These include an assumed £14million government funding envelope, a similar increase in Council Tax to 2021/22, no increase in the overall CTS caseload and a further 5% of the CTS caseload moving onto Universal Credit thus reducing the level of individual awards .

The table below shows the projected expenditure costs for both the Council's scheme and the national pensioner scheme in 2022/23.

| Financial Estimates of grant and expenditure for 2022/23 | | |
|--|-----------------|--------------|
| Government grant | CTS expenditure | Funding gap |
| £14million | £18.31million | £4.31million |

- 3.12 Returning to a self-funding scheme model in 2022/23 in which expenditure is capped at the £14 million assumed Government funding would require making savings of £4.31 million. Funding for the working age element of the CTS scheme is approximately £5m of the overall government grant with the remaining £9m being funding to cover the protected pensioner element of the scheme, so capping funding would mean reducing the working age scheme by over 80% which is not possible without ceasing support for the majority of current recipients. This would cause significant hardship and have a greater impact on Council Tax collection for those currently in receipt of support.
- 3.13 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 4.23% which would partially offset any increase in Council Tax
 - Average weekly support for working-age households in 2022/23 would be £0.87 higher than 2021/22
 - 22 self-employed households will see their support reduce by over £5.00 per week – under 0.3% of all working age claimants
 - All households would retain some level of entitlement to CTS
- 3.14 The continuation of the discretionary hardship element of the scheme would help to mitigate some of the impact any increase in council tax would have on the borough's working age residents and would be available as a safety net for those residents experiencing the greatest financial hardship, including non-recipients of CTS.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 It is a statutory requirement that Council considers and adopts a CTS scheme from 1 April 2022 and identifies the sources of funding.
- 4.2 The options available to the Council for a CTS scheme from 1 April 2022 are to continue with the existing scheme or design and consult on an alternative, either less generous self-funding or a more generous scheme.
- 4.3 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 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 31 January 2022. Given these timescales, there may be insufficient time remaining to undertake a meaningful consultation and obtain approval for a new scheme to commence from 1 April 2022. Adopting

a significantly different scheme without following the statutory requirements to consult would be unlawful.

- 4.4 To continue with the current CTS scheme in which support is restricted to 76% requires it to be part-funded by an estimated £4.31million. Council would need to consider the options for funding the deficit. There are various options including:

- Increase Council Tax by an estimated 2.4% in 2022/23 over and above the current assumption. However, this would require a referendum since the MTFS already assumes an increase in the core council tax of 1.99% and there is currently no indication that the threshold for referendums is to be increased. Should Council choose this option consideration would need to be given to how the costs (just the referendum alone would cost circa £350,000) would be funded as this is not currently covered within the MTFS.
- The Council could resource the projected gap in funding by cuts to Council services. However, the MTFS Strategy refresh report agreed by Cabinet in September 2022 already identify a potential gross budget funding gap of £13.094 million from 2022/23 to 2024/25.
- The Council could consider using reserves to support the scheme and in the 2021/22 Budget Setting the decision was made to continue to retain any collection fund surplus in a Tax Base fluctuations reserve to offset future deficits. It is recommended that the Budget Strategy Reserve is safeguarded to ensure that the Council has the resources to manage potential risks around the resource levels in the latter period of the MTFS. However, using reserves would be a short-term solution and would not address the on-going financial requirement. The use of reserves is an approach that the Council has established for dealing with hardship that arises from the scheme.

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. The scheme is designed to be broadly self-funding and largely share the burden of funding cuts amongst all working age people in receipt of support and 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 six weeks from Wednesday 24 August 2016 to Tuesday 04 October 2016 with the GLA (a precepting authority) and the public. Council Tax Support recipients, other residents, landlords and stakeholders were

asked their views on various options for changing the scheme in existence at that time and expressly asked if they wished to put forward any alternatives of their own. The consultation also outlined various other options that had been considered and explained why they were discounted.

- 6.2 Any further substantial modification of the scheme in the future would require a further public consultation exercise to be undertaken prior to any changes being implemented.

7. Reset

- 7.1 In July 2021, the Council approved its Strategic Reset priorities and delivery programme to recover from the pandemic and build a bright future for all in Waltham Forest
- 7.2 The Local Council Tax Support Scheme is pivotal to our local vision and priority as a council to tackle the inequality that holds some of our residents back. In supporting low-income families and childless households it closely aligns with the work being delivered by the 'Supporting families, children and young people and older people' Reset delivery area. In supporting low-income parents and older residents these include 'School readiness for under 5's' which ensures pre-school age children are ready to join school, and 'A place to age well' which supports residents to age well and remain independent for longer.

8. IMPLICATIONS

8.1 Finance, Value for Money and Risk

- 8.1.1 Along with the introduction of Council Tax Support Government rolled its Grant funding into the overall Settlement Funding Assessment and a significant proportion 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.
- 8.1.2 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.
- 8.1.3 The annual cost of the scheme from 2019/20 onwards has exceed the funding envelope, requiring Council to fund the gap, and in doing so to move away from this principle. The economic downturn caused by the global Coronavirus pandemic led to rising unemployment and an increase in the number of CTS recipients during 2020/21, with the caseload peaking in April 2021. Since then, caseload numbers have remained on a steady downward trajectory and consequently

expenditure on the scheme has been lower than projected. The funding gap that the Council will need to cover in 2021/22 as outlined in 3.7 above is now predicted to be £1.8million lower than previously estimated.

- 8.1.4 The financial landscape for Local Government is incredibly volatile at present as the impact of Covid-19 and Brexit are yet to be fully understood in the context of local government funding. The Government has set out a Spending Review programme which will conclude as part of the Budget announcement on 27 October. The provisional settlement for 2022/23 is expected in the autumn. 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).
- 8.1.5 The projected funding gap in the cost of the scheme for 2022/23 has been identified as £4.31million; the difference between the estimated scheme cost of £18.31million against the assumed funding envelope of £14million in 2022/23. The scheme costs have been modelled based on a series of financial assumptions such as no overall increase in the CTS caseload, a Council Tax increase of 1.99% plus a 2% increase to the Adult Social Care precept in line with the MTFS. There is also a risk that the Settlement Funding for 2022/23 when announced could be lower than anticipated thereby increasing the Council's contribution to the scheme.
- 8.1.6 The option of continuing with the current scheme presents financial challenges and the impact on the Council Tax base will be considered as part of the MTFS refresh to be reported with the Council Tax Setting in February 2022.
- 8.1.7 The cost of the scheme will need to be closely monitored and reviewed.

8.2 Legal

- 8.2.1 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 age people, working within a framework set out in the legislation.
- 8.2.2 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.
- 8.2.3 Cabinet is being asked to agree to the continuation of its agreed Council Tax Support Scheme for a sixth year from 1st April 2022. 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.

- 8.2.4 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.
- 8.2.5 As they did when adopting the scheme Members must carefully consider the impacts identified and be satisfied that the mitigation set out and summarised in part 8.3 of this report provides a sufficient safety net.
- 8.2.6 In order to make changes to the scheme the Council will need to carry out the statutory consultation process referred to in 8.2.2.

8.3 Equalities and Diversity

- 8.3.1 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).
- 8.3.2 There is no single change that can be implemented to fully mitigate against the impacts identified upon the equality groups due to the large numbers affected, however the following are identified as mitigating steps:
- It is proposed to continue with the existing scheme 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.
 - Work incentives are built into the scheme by disregarding an amount of earned income 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 Widows/Widowers pensions.

- Continuing with the Discretionary Fund of up to £750,000 to support those individuals suffering the most financial hardship to offer short (and where necessary long) term support for the most vulnerable households will ensure those requiring support will not be disadvantaged because they are unable to work due to any disability.
- The council has a dedicated Business, Employment and Skills unit. Affected households will also be actively supported through direct referrals to move into work where possible, details of current programmes can be found at www.walthamforestjobs.org

8.4 Sustainability (including climate change, health, crime and disorder)

- 8.4.1 There are no implications on sustainability, climate change & environment

8.5 Council Infrastructure

- 8.5.1 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