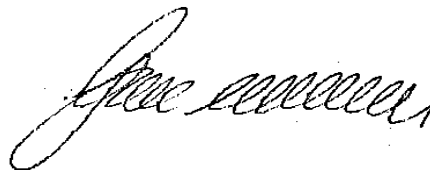


London Borough of Waltham Forest

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| Report Title | Local Council Tax Support Scheme 2025-2026 |
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| Meeting / Date | Cabinet, 3 rd December 2024 |
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| Cabinet portfolio | Councillor Paul Douglas, Portfolio Lead Member for Finance and Resources |
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| Wards affected | All |
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| Public access | Open |
|---------------|------|

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| Appendices | Appendix 1 – Consultation Documentation Appendix 2 – Outcome analysis from the consultation on the council's preferred scheme Appendix 3 - WalthamForest CTS GLA Consultation response 2025-26 Appendix 4 – Equality Analysis Appendix 5 – Discretionary Housing Payment and Council Tax Hardship Scheme Policy Appendix 6 – Cases study models of impact of recommended scheme Appendix 7 - Communications activity for Council Tax Support scheme |
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1. Summary

- 1.1 The London Borough of Waltham Forest like many other councils throughout the country is facing unprecedented financial pressures, through the impact of increased demand and the lingering economic affects of high interest rates and COVID. The council is currently projecting a c£17 million overspend for 2024-25, due to cost pressures arising from temporary accommodation, children's services and adult social care. The Council's medium term financial plan - as at November 2024 - predicts a difference of £18m to £24m between what the council will spend over the next three years and its estimated income, which it is trying to address through transformation and efficiency service reviews, reducing

discretionary spending, maximising income plus the last resort of using its ever dwindling reserves. As such each and every pound that the council spends is coming under intense scrutiny to ensure that it provides value for money for all residents and is affordable within the restricted funding envelope.

- 1.2 The Council's local Council Tax Support (CTS) scheme helps low income, working age households to pay their Council Tax via financial reductions applied directly to their Council Tax bills. On 29 October 2024 there were 8,790 working aged households receiving support under the Council's scheme. The current scheme was recommended by Cabinet in November 2023 and approved by Council on 14 December 2023. The scheme began on 1 April 2024
- 1.3 The scheme is published along with the 2023 Equality Analysis, report to Cabinet and Council, and is available on the Council's website at this link.

<https://democracy.walthamforest.gov.uk/ieListDocuments.aspx?Clid=287&MId=5743&Ver=4>

The full scheme provisions can also be found on the Council's website at: <https://www.walthamforest.gov.uk/council-tax/discounts-exemptionsand-reductions/council-tax-support>

- 1.4 It is a statutory requirement that Council considers and adopts a CTS scheme annually and identifies the sources of funding.

A consultation has been carried out on the proposal to move to an income banded council tax support scheme which is projected to cost £18.29m, this is projected to cost £2.32m less than the existing scheme in 2025/2026. This report summarises the outcome of that consultation and seeks Cabinet approval to recommend to Full Council that it adopts the scheme recommended in this report.

2. Recommendations

- 2.1 For the reasons given in this report, Cabinet is recommended to:
 - 2.1.1 **Consider** the consultation documentation, outcome analysis from the consultation on the council's preferred scheme, GLA Consultation response and Case study models of impact of recommended scheme at Appendices 1, 2, 3 and 6.
 - 2.1.2 **Recommend** to Full Council that the proposed income banded Council Tax Support Scheme consulted upon be adopted whereby:
 - working-age residents are entitled to support of up to a maximum of 85%, depending on a person's level of income, household composition and level of capital where they fall within one of the protected groups who are households with limited capability to work and households with children aged 5 and under;

- other eligible working-age residents are entitled to support up to a maximum of 57%, depending on their level of income, household composition and level of capital;
- the reductions made to support for non-dependants will be a reduction of £20 per week for working non-dependants and £8 per week for non-dependants who are out of work.

- 2.1.3 **Recommend** to Full Council that the Council continue to make £750,000 available 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. This includes supporting care leavers. The current scheme is attached at (Appendix 4).
- 2.1.4 **Recommend** to Full Council there be delegated authority to correct any accidental errors and make any minor or consequential changes 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.
- 2.1.5 **Note** that the income banded scheme treats earnings and self-employed earnings as the only income used to determine a household's level of income against the proposed income bands. All other income would be disregarded. The scheme will continue to fully disregard War Widows & War Widowers pensions for all applicants. Various other incomes, for example, Child Benefit, Disability Living Allowance and Personal Independence Payments will also continue to be ignored when calculating entitlement to Council Tax Support.
- 2.1.6 **Note** that the remaining provisions of the Council's scheme for 2025/26 will be as published on the Council's website.
- 2.1.7 **Note** that the projected cost of the whole scheme is identified as £18.31 million which is £2.3 million less than if the current scheme is continued. This will be reflected in the calculation of the council tax base for 2025/26 and included within the next MTFs as part of the budget setting process.
- 2.1.8 **Note** that before any significant changes to the proposed scheme reducing or removing support could be made that a further statutory consultation would need to be carried out.
- 2.1.9 **Recommend** to Full Council that the Council conducts a more detailed analysis of households' ability to meet these liabilities based on the administrative data the Council has access to using platforms and methodologies for reliable analysis. This recommendation is welcome and reflects existing practice, and whether the proposed changes are accepted or not the authority

will use its tools such as Pathways, Destin Solutions, and LIFT to identify the ability of households to meet liabilities and address this through the existing hardship fund and income maximisation.

3. Proposals

3.1 The CTS 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.

3.2 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. Currently 5,653 households receive support under the national scheme.
- **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 8,790 households.

3.3 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.

3.4 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.

3.5 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 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.

3.6 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 contribution from the Housing Benefit overpayment earmarked reserve. An additional £0.350 million was required from the reserve in 2024/25 to fund the increase in costs of the scheme, meaning the total contribution from reserves was £1.632 million.

3.7 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 and care leavers. In the 2023/24 £0.533 million of the £0.750 million hardship funding was withdrawn and it is anticipated that a similar amount will be required in 2024/25. This will deplete the reserve requiring a growth item of £0.750 million to be added to the MTFs in 2025/26 to ensure the continuation of this hardship funding and the continuation of the current schemes funded from this amount. Alongside utilising the discretionary hardship fund the Council will continue to support residents experiencing financial hardship (specifically those who have been identified as being particularly impacted by this proposed change) by helping maximise their income and through the prioritisation of both targeted and universal services including the use of early years support.

3.8 It is now being proposed that Council move to a cost saving income banded Council Tax Support scheme in 2025/2026. The proposed scheme recommended for 2025/2026 offers significant changes so a full consultation with residents, the GLA and other stakeholders is taking place from 18/10/2024 to 24/11/2024. The scheme consulted upon is an income banded scheme where:

- Working-age residents would be entitled to support of up to a maximum of 85%, depending on a person's level of income, household composition and level of capital and whether they fall within one of the protected groups: households with limited capability to work; households with children aged 5 and under.
- For other eligible working-age residents, support would be given up to a maximum of 57%, also depending on their level of income, household composition and level of capital.
- Resident non-dependent adults are tiered within two levels for weekly contributions they're expected to make towards Council Tax: of £8.00 where not in work or £20.00 where in employment.
- A person or couple with capital of more than £6,000.00 will not be eligible for any reduction.

- The income bands applied to the proposed scheme are:

| Income bands (Net weekly earned income) | | | | | | | |
|---|-----------|-----------|-----------|-----------------|-----------------|---------------------|---------------------|
| Band | % Support | Single | Couple | Single, 1 Child | Couple, 1 Child | Single, 2+ Children | Couple, 2+ Children |
| Financially vulnerable groups | 85% | £0-£120 | £0-£140 | £0-£140 | £0-£160 | £0-160 | £0-£180 |
| Band 1 | 57% | £0-£120 | £0-£140 | £0-£140 | £0-£160 | £0-160 | £0-£180 |
| Band 2 | 47% | £120-£170 | £140-£190 | £140-£190 | £160-£210 | £160-£210 | £180-£230 |
| Band 3 | 37% | £170-£210 | £190-£230 | £190-£230 | £210-£250 | £210-£250 | £230-£270 |
| Band 4 | 27% | £210-£250 | £230-£270 | £230-£270 | £250-£290 | £250-£290 | £270-£310 |
| Band 5 | 17% | £250-£290 | £270-£310 | £270-£310 | £290-£330 | £290-£330 | £310-£350 |

3.9 The estimated costs of the proposed scheme in 2025/26 are £18.29million, this is a decrease of £1.63million on the current year.

Impacts include:

- The cost of the scheme decreases by 16.06% for those of working age
- The cost of the scheme rises by 6.85% for pensioners
- Average support for working-age households would decrease by £4.93pw
- 35 households (0.39%) of working age lose support completely
- 4,285 households (47.34% of the working-age caseload) see their average award fall by more than £5 a week
- 213 households (2.35% of the working-age caseload) see their average award rise by more than £5 a week

3.10 The option of continuing with the existing scheme is not recommended because the cost is expected to rise to £20.61million in 2025/2026 and is not financially viable in the current climate.

4. Options & Alternatives Considered

- 4.1 It is a statutory requirement that Council considers and adopts a CTS scheme from 1 April 2025 and identifies the sources of funding. It is recommended that Cabinet recommends that Full Council adopt the proposed income banded scheme to help protect the most vulnerable residents in the borough whilst also maintaining a sure financial footing for the Council.
- 4.1 Members should be aware that there are also other options available to Full Council for a CTS scheme from 1 April 2025.
- 4.2 Cabinet could recommend to Full Council that it adopts a more generous scheme than consulted upon such as continuing with the existing scheme, which would cost £20.61million and see the average award increase by £1.00 per week. The scheme would cost £2.32million more than the proposed scheme.
- 4.3 The Council can also choose not to adopt a scheme, in which case it will be required to calculate amounts of support using the Government's 'default scheme'. This is more generous than any of the schemes previously adopted and gives the Council no control over its content.
- 4.4 The Council may decide to adopt a more generous scheme than it has consulted on however, for example changes to income bands to increase the levels of income within the bands, this would require the Council identify how it would be funded, for example, from use of Council Reserves or monies from other service budgets.
- 4.5 Designing a less generous scheme than the one consulted upon would require consultation. 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 2025/26 is set in February 2025. Adopting a significantly different scheme to that currently operated or consulted upon offers system implementation challenges, so it is urged that a decision be made at the earliest convenience to minimise risk of incorrect Council Tax billing.

5. Council Strategic 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. Average Council Tax Support for working-age households under the proposed scheme falls by 19.36% compared to the current scheme maintained into 2025/26. The average working age household will see their council tax support award decrease by £4.93 a week. Amounting to £2.32 million or 11.26% less than the current scheme retained into 2025/26.

- 5.2 The scheme also includes the continuation of a Discretionary Hardship Scheme to offer extra assistance and support to those suffering the greatest financial hardship.

6. Consultation

- 6.1 The Council is under a statutory duty to consult before making any significant changes to its Council Tax Support scheme.
- 6.2 Consultation on the proposed scheme was carried for 5 weeks and 2 days starting from 18 October and 24 November 2024 with the GLA (a precepting authority) and the public. Council Tax Support recipients, other residents, Landlords, and stakeholders were asked for their views on the proposed move to a cost saving income banded scheme. They were also specifically asked if they wished to put forward any alternatives of their own.
- 6.3 The consultation was advertised in newsletters, the libraries, social media and additionally through direct communication campaigns to current working age recipients of the Council Tax Support Scheme. Full details of the communication activity can be viewed on appendix 7.
- 6.4 A full report on the consultation response is attached (Appendix 2). 438 online responses were received as well as a written response was also received from the GLA (Appendix 3). 92% of respondents were residents and 8%, landlords and organisations. Of the responses received to the Council's proposed scheme 40% were in favour of the council's proposed scheme, 38% were against the proposed scheme. The remainder said they neither agreed or disagreed with the proposal or selected don't know.
- 6.5 210 respondents provided answers to this open-ended question. Approximately, three-quarters of these respondents said that the scheme should not be changed and/or that the proposed new scheme should be more generous and have wider criteria for support. Half of these respondents suggested that funding from other sources should be used to help make the scheme more generous, including increasing council tax, reducing spend on non-priority services, greater efficiency, using council reserves and/or lobbying Government for more funding
- 6.6 The consultation questionnaire was made available in electronic format on the council's website and included illustrative details on the possible positive difference in awards levels of the proposed changes by band or both two adults and single adult households.
- 6.7 A full extract of all comments received to the further consultation is contained in the consultation report at Appendix 2.
- 6.8 The GLA recommended we conduct more detailed analysis of households' ability to meet these liabilities based on the administrative

data the Council has access to using platforms and methodologies for reliable analysis. This recommendation is welcome and reflects existing practice, and whether the proposed changes are accepted or not the authority will use its tools such as Pathways, Destin Solutions, and LIFT to identify the ability of households to meet liabilities and address this through the existing hardship fund and income maximisation.

- 6.9 A further recommendation from the GLA was that LBWF publish clear analysis of potential additional costs and savings expected to materialise after a final scheme is agreed, so that residents, council taxpayers as well as stakeholders such as the GLA are aware of the implications. This recommendation is agreed.

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 and 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 2024/25 MTFS is £18.288 million although the scheme is estimated to costs £19.92 million. The funding gap will be met from a one-off contribution of £1.632 million from recovered housing benefit overpayments.

- 7.1.6 The cost of the proposed CTS scheme for 2025/26 is in line with the £18.288million built into the MTFS for 2024/25 and the estimated costs of £18.29 million in 2025/26. Other assumptions have been made in calculating the scheme's costs for next year such as, a similar increase in Council Tax to 2025/26 inclusive of the GLA's share, an 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 Cabinet is being asked to recommend to Full Council that it agrees to the adoption of a new Council Tax Support Scheme from 1st April 2025 following a consultation being undertaken on the proposed scheme giving residents and stakeholders the opportunity of considering and responding to the proposed scheme and opportunity of suggesting other options. The consultation process complied with the legal requirements to ensure that it provided full and adequate information for an intelligent response and an adequate time for a response. To complete this process, Members must conscientiously take into account the views expressed by those who have taken part in the consultations that has taken place as set out in Appendices 2 and 3 when making their decision. Consultation responses are not binding on members but need to be taken into account. Members must also be mindful of and take into account all of the options available to them as are set out in paragraphs 4 that include those options that were not specifically consulted on.
- 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 3, (the Equality Analysis) that sets out the nature of the duty.

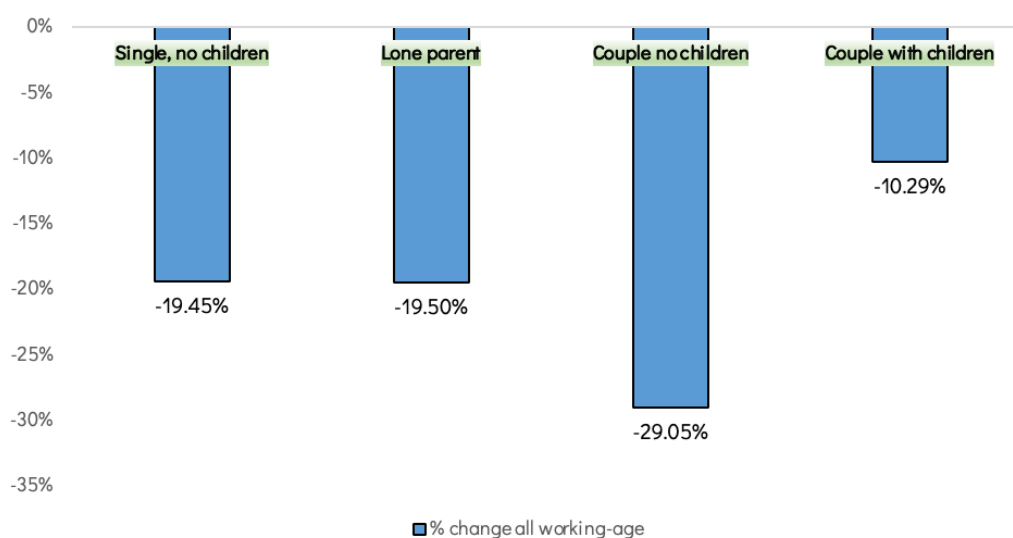
7.2.5 Members must carefully consider the impacts identified and be satisfied that the mitigation set out provides a sufficient safety net.

7.3 Equalities and Diversity

7.3.1 An updated equality analysis has been completed (Appendix 4). 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 socioeconomic 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 All household types are projected to be adversely impacted by the proposed scheme. The household type most impacted are couples without children, as shown in the table below.

Percentage change in weekly CTR compared to current scheme retained into 2025/26, by household type



7.3.3 However, because the proposed scheme continues to cap support at less than 100% the following are identified as mitigating steps:

- All incomes other than earnings and self-employed earnings to be disregarded when calculating entitlement to support.
- Two 'protected groups' as defined within the proposed scheme would be entitled to support of up to a maximum of 85%, depending on a person's level of income, household composition and level of capital and where they fall within either households with limited capability to work; households with children aged 5 and under.
- 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

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

- 7.4.1 There are no implications on sustainability, climate change & environment arising from this report

7.5 Council Infrastructure

- 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.