

Council Tax Support

Consultation

Have your say on the new scheme for April 2025

Introduction

Waltham Forest is proposing to change its Council Tax Support scheme from 1 April 2025. Council Tax Support is a reduction in the amount of Council Tax that working-age people on low income need to pay. In the context of the difficult financial challenges the Council is facing, the proposal for next year's Council Tax Support scheme aims to balance introducing an affordable scheme for the Council, with targeting support to those that need it most.

The key characteristics of Waltham Forest's existing Council Tax Support scheme and the proposed scheme starting 1 April 2025 can be viewed in the table below, titled figure 1.

<u>Our existing Council Tax Support scheme from 1 April 2024 to 31 March 2025</u>	<u>The proposed Council Tax Support scheme from 1 April 2025 to 31 March 2026</u>
<ul style="list-style-type: none">• A means-tested scheme.• Working-age residents are entitled to support of up to a maximum of 85%• Net earnings can be further reduced when taking into consideration the number of hours worked and household composition.• Resident non-dependent adults are tiered within five levels for weekly contributions they're expected to make towards the Council Tax: £0.00, £6.60, £13.15, £16.59 or £20.01	<ul style="list-style-type: none">• An income-banded scheme.• Working-age residents would be entitled to support of up to a maximum of 85%, provided they fall within one of the protected groups, which we have called financially vulnerable groups. These are: households with limited capability to work; and households with children aged 5 and under.• Resident non-dependent adults are tiered within two levels for weekly contributions they're expected to make towards Council Tax: £8.00 or £20.00

<ul style="list-style-type: none"> A person or couple with capital more than £6,000.00 will not be eligible for a reduction. 	<ul style="list-style-type: none"> A person or couple with capital of more than £6,000.00 will not be eligible for a reduction.
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Figure 1

The proposed income bands are based on net earnings and can be viewed in the table below, titled figure 2. Individuals out of work are deemed to have £0.00 earnings.

Income bands <u>(Net weekly earned income)</u>							
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

Figure 2

In April 2023, we introduced temporary changes to the Council Tax Support scheme to give extra support to residents, offsetting the worst effects of the cost-of-living crisis. If we were to continue this level of extra support within the scheme would cost £20.6m next year, £3.5m more than in 2022/23, before the extra support was introduced. This extra cost is no longer financially viable in the current climate, so we're asking residents for their views on proposals for a new scheme which if introduced would keep the cost of the scheme to what we believe is an affordable level to the Council.

The income bands and level of support in the table above (figure 2) achieve keeping the overall costs of the scheme to £18.29m. If the income bands were changed to increase the maximum income that would be eligible, this would result in a more expensive scheme to the Council.

Waltham Forest Council invites residents to participate in the consultation and will directly contact all working-age existing Council Tax Support recipients to encourage them to share their views on the proposed changes to the Council Tax Support scheme.

To reduce the potential impact on affected residents if the proposals are adopted, the findings from the consultation will be used to inform how we use our discretionary hardship funds to target those in need, as well as how we help residents through advice and guidance to maximise their income.

Background

Waltham Forest Council has outlined a series of missions to make the borough a fairer and more equal place to live and work. These missions are underpinned by a commitment that

the Council operates under a sound financial framework, meaning that services are targeted appropriately and delivered effectively and efficiently, within the resources available.

As part of its commitment to operating under a sound financial footing, the Council is reviewing the provisions of its Council Tax Support scheme and are inviting you to comment on its proposals to make changes to the existing scheme.

Council Tax Support is a reduction in the amount of Council Tax people on low income have to pay the Council. It is funded by the Council.

There are two Council Tax Support scheme: one is for people above pension age and the other is for people who are below pension age (we call this 'working age').

The way in which Council Tax Support is calculated for pensioners is set nationally and the Council has no control about how the reduction is calculated. Therefore, Council Tax Support for pensioners is not part of this consultation.

The law says that the Council must produce a scheme for working-aged people and that it must reconsider the scheme each year. If the Council is proposing to make any changes to the scheme it must carry out a consultation. The Council has considered a number of proposals and is now consulting on making significant changes to the existing scheme.

Next year's Council Tax Support scheme will come into effect in April 2025 and the findings from the consultation and the proposal for the financial year 2025/26 will be considered for decision by Full Council in December 2024.

The Council wants residents to have meaningful input into its consideration of the outcome of this consultation. In this document we set out the following:

- a) The current Council Tax Support scheme
- b) Why the Council is proposing to make changes to the current scheme
- c) Other options which have been considered by the Council instead of making changes to the current scheme to bridge the funding gap
- d) The modelling of options considered which would bridge the funding gap
- e) The Council's preferred option and the reasons the Council is proposing its preferred option

Our current Council Tax Support scheme

The scheme was introduced on 1 April 2023 and is due to end on 31 March 2025. Currently, people of working age are entitled to support of up to a maximum of 85% of their Council Tax bill. This means that they must pay a minimum of 15 percent of their Council Tax bill themselves.

The current scheme is a 'means-tested' scheme. This means that a person's income is compared to an amount their family is considered necessary to live on, often referred to as a 'needs allowance' or an 'applicable amount'.

The principles underlying our current scheme

The Council's first Council Tax Support scheme, introduced in April 2015, was designed with the following key principles as its cornerstone:

1. Everyone of working age should pay something towards their Council Tax bill.

2. A discretionary fund should be created to help people suffering particular hardship.
3. The scheme should incentivise work.
4. Every adult in the household should contribute to the Council Tax bill.
5. Support should not be given to people with relatively large amounts of savings.
6. Some income such as child benefit, disability living allowance, personal independence payments, and attendance allowance should be ignored when calculating entitlement to Council Tax support.

From April 2017 these fundamental principles were expanded to include:

- Offering work incentives, such as awarding four weeks' extended entitlement to support when someone starts work (principle 3)
- Reducing support where other adults (people over 18) live in the household by increasing non-dependant deductions (principle 4)
- Reducing support further where the applicant's income is more than we consider they need to live on (principle 4)
- Not offering support to households with £6,000 or more savings or capital (principle 5)

These principles will be reviewed in light of the outcome of the consultation.

Why is the Council proposing to change the scheme?

We've seen a large increase in the cost of the Council Tax Support scheme. This is partly because on the 1 April 2023 we introduced a more generous scheme as a temporary measure to offset the worst effects of the cost-of-living crisis.

Next year we are predicting we will spend £20,610,00.00 on Council Tax Support if we don't implement the changes – that's an increase of more than £3.5 million compared with 2022/23, before we changed the scheme.

Over the last two years the Council has met the increased cost of the scheme by using income collected from non-Council Tax sources to meet the funding gap. Due to increased financial pressures the Council will find it difficult to continue doing so.

The Council has carefully considered the additional costs associated with increasing the level of support beyond that which could be achieved from using only Council Tax resources.

Other options which have been considered by the Council to bridge the funding gap instead of making changes to the current scheme

There are three ways in which any gap in the projected funding could be met by the Council without making any significant changes to the current scheme:

Increasing Council Tax

To fund a similar scheme to the current one, one option would be to propose an increase in Council Tax. This would require us by law to hold a local referendum if we choose to

increase Council Tax be more than 10%. The Council does not consider this to be the best option – a referendum would mean the Council would incur a substantial additional expense and the level of increase would impose a further significant financial burden on residents.

Using Council reserves

The Council could use its reserves; however, the reserves are already at a lower level than they were when the Council introduced its current scheme. Placing further demands on its reserves to bridge the Council Tax Support funding gap could leave the Council in a more vulnerable financial position at a time when the Council needs to plan carefully across all of its budgets to achieve a balanced budget and to control spending. Using reserves to fund the Council Tax Support scheme would provide only a short-term solution and would increase the risk of us not being able to deal with an emergency effectively.

Reducing the funding available for Council services

Many of the services provided by the Council must be provided by law. These services are largely aimed at assisting the most disadvantaged residents such as adult social care, children's services and housing services. Demand on these services, in most cases, are already beyond their allocated budget and reducing funding in these areas is not a viable option to support the scheme.

While we could, theoretically, make further changes to services which would cost roughly the same as the gap in funding the scheme, we would need to ensure that any further changes would not seriously compromise our ability to provide an appropriate level of service to residents and meet our statutory duties.

Keeping the scheme the same without finding alternative means of financing the gap

It's a legal requirement that the Council spends according to its financial means and provides services in ways it can afford in the long term. Taking no action now would put the Council in further financial difficulty and affect its ability to provide services.

Reductions to Council Tax Support are being looked at together with other ways the council can save money.

We want to make sure that Council Tax Support continues to be available to support our most financially disadvantaged residents now and in the future.

If these changes are implemented, the Council plans to provide additional assistance to reduce the impact of the most significant changes through the continuation of a discretionary fund. The findings from this consultation will be used to inform how we use our discretionary hardship funds to target those in need and how we help people maximise their incomes.

Who Will be Affected by These Changes?

Only people below pension age will be affected by these changes. Some will be impacted more than others. Whether or not you are affected, we would ask that you complete the consultation questionnaire to give us your views.

1 Are you liable to pay Council Tax in Waltham Forest in respect of your main home?		Yes	No
Yes	Proceed to next question		
No	You will not be affected by the proposed changes to the Council Tax Support scheme.		
2 Are you getting Council Tax Support at the moment?		Yes	No
Yes	Proceed to next question		
No	You will not be affected by the proposed changes to the Council Tax Support scheme.		
3 Are you and your partner, if you have one, below pensionable age?		Yes	No
Yes	Proceed to next question		
No	You will not be affected by the proposed changes to the Council Tax Support scheme.		
4 Are you out of work and receiving a disability-related benefit?		Yes	No
Yes	You will not be affected by the proposed changes to the Council Tax Support scheme.		
No	Proceed to next question		
5 Are you working but receiving state assistance because you have limited capability for work?		Yes	No
Yes	You will be not affected by the proposed changes to the Council Tax Support scheme.		
No	Proceed to next question		
5 Are you responsible for a child of 5 years old or under who lives with you?		Yes	No
Yes	You will not be affected by the proposed changes to the Council Tax Support scheme.		
No	You will be affected by the proposed changes to the Council Tax Support scheme.		

The Council's proposals in detail

It is proposed that the Council adopts what is known as a 'banded scheme' where the level of support is based on which income band a claimant falls into. This has been costed to achieve the funding gap needed to keep the scheme affordable for the Council, while targeting support to those who need it most.

The proposed introduction of the banded scheme will mean that a considerable proportion of working-age people currently eligible for support under the existing scheme will have a reduction in the amount of support they receive after 1 April 2025 in the event the Council adopts the proposed scheme. The Council recognises that some groups are less able to cope with this reduction than others. For the purposes of this scheme and consultation document, we call these 'financially vulnerable groups'. Households are considered to be in a financially vulnerable group if:

1. The person(s) claiming support is responsible for a child aged 5 or under; and/or
2. The person claiming support, or that person's partner, is either:
 - a. Not able to work and is in receipt of a state disability-related benefit.
 - b. Is in work but is receiving assistance because the DWP has decided that that person has a limited capability for work. For example, those in receipt of the limited work capability component of universal credit.

People who fall into one of the financially vulnerable groups listed above will continue to receive a maximum of 85% support, subject to non-dependant deductions which are explained below.

All other people entitled to support will receive a set amount of either 57%, 47%, 37%, 27% or 17% depending on the composition of their household and their income. You can see how these amounts are calculated in the table below, titled figure 3.

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

Figure 3

Households who do not qualify for an 85% reduction and are unemployed (without earned income) will fall within the Band 1 category.

The way in which deductions are made for adults, called non-dependants, living in the household who are not jointly liable for the Council Tax will be changed. The key features under the current scheme are:

1. Certain non-dependants will not attract a deduction.
2. Certain households were exempt from non-dependant deductions.
3. Deductions were based on the income of the non-dependant.

The proposal removes the exemptions from non-dependant deductions, meaning that all adult residents will attract a deduction. Deductions will be set at a flat rate of:

- £8.00 per week for non-dependants who are not working; and
- £20.00 per week for non-dependants who are working.

Amounts of support under the Council's proposed scheme are shown in the table below, titled figure 4. The income banding will be calculated on earnings, all benefits will be treated as £0.00 within the proposed scheme.

Household Type	Single	Couple	Single, 1 child	Couple, 1 Child	Single 2+ Children	Couple 2+ children	Percentage reduction of bill
Income	<£120	<£140	<£140	<£160	<£160	<£180	57
	£120-£170	£140-£190	£140-£190	£160-£210	£160-£210	£180-£230	47
	£170-£210	£190-£230	£190-£230	£210-£250	£210-£250	£230-£270	37
	£210-£250	£230-£270	£230-£270	£250-£290	£250-£290	£270-£310	27
	£250-£290	£270-£310	£270-£310	£290-£330	£290-£330	£310-£350	17
Households with at least one child aged 5 or under, providing the level of income criteria is also met.							85
Households where the person liable to pay Council Tax or his/her partner is either: i. Disabled and receiving an out-of-work disability benefit; or ii. Disabled and receiving state assistance because they have been assessed as having a limited capability for work							85
Households who do not qualify for an 85% reduction and who do not possess any earned income.							57

Figure 4

Alternative Options Being Considered by the Council

The Council has considered three alternative options, but these are not our preferred options for a number of reasons:

1. A banded scheme similar to the one described above but with protection for households limited to children under two years of age. The Council does not prefer this option, because:
 - a. it believes it is able to afford a slightly more generous scheme; and
 - b. it would be both problematic and expensive to implement this option in the time available.
2. Maintaining the current means-tested scheme, which allows a maximum level of support of 85%; or
3. Reverting to the 2022 scheme which is similar to the current scheme but limits the level of support to 76%.

Both of these options do not meet the projected funding gap and are considered to be unaffordable in the current economic climate.

Examples

The following examples are intended for illustration purposes only. They do not take into account any changes in the level of Council Tax being charged from April 2025.

1	Sophie is a 20-year-old single parent. She is severely disabled and has a severely disabled child. She is in receipt of Universal Credit, including the child element, the disabled child element, the carer's element and the housing costs element. She also
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	receives Child Benefit and the care and mobility components of Disability Living Allowance in respect of both her and her child. Her weekly Council Tax liability is £41.57.
	Sophie receives £31.24 per week reduction under the Council's current scheme. Her maximum award is £35.23 per week which is reduced slightly because of the level of her income.
	Under the Council's proposed scheme Sophie will receive £35.23 per week – an increase in £3.99 per week. This is because she is receiving disability-related benefits which impact her ability to work, and no account is taken of her actual income as someone in the financially vulnerable group.

2	Xavier is a single person aged 38. His only income is from his self-employed business which earns him £52.66 per week. He shares his home with a joint tenant. The weekly Council Tax liability in respect of the property is £41.57 per week. Xavier is treated as being responsible for half of this for the purposes of calculating entitlement to Council Tax Support.
	Xavier receives £17.67 per week council tax support under the current scheme. This is the maximum reduction of 85%, based on him being responsible for 50% of the Council Tax.
	Under the Council's proposed scheme Xavier will receive £11.85 Council Tax Support per week – a reduction of £5.82 per week. This is because Xavier does not fall into any of the financially vulnerable groups and his income is in Band 1 for a single person which gives a reduction of 57%.

3	Folashade is a 23-year-old single parent with a 1-year-old child. She receives child benefit, PIP at the enhanced rate of daily living and standard rate mobility. She also receives Universal Credit. Her weekly Council Tax liability is £20.78 per week.
	Folashade receives the maximum council tax support reduction of £17.66 per week under the Council's current scheme. This is because her income is at or below the minimum amount set by the Council for a person in her circumstances.
	Under the Council's proposed scheme Folashade will continue to receive £17.66 per week. This is because she is a single parent with a child aged 5 or under and therefore falls within the financially vulnerable group.

4	Arron is a 44-year-old single parent. He has two children aged 9 and 11 and is in receipt of Child Benefit and Universal Credit which includes the limited capability for work element. His weekly Council Tax liability is £24.25.
	Aaron receives the maximum council tax support reduction of £20.61 per week because his income is at or below the minimum amount set by the Council for a person in his circumstances.
	Under the Council's proposed scheme Aaron will continue to receive £20.61 per week. This is because he has a limited capability for work and falls into one of the financially vulnerable groups.

5	Dorota is a 34-year-old single parent. She lives with her three children – a 5-year-old, 14-year-old and a 19-year-old non-dependant who is not working. She receives child benefit, PIP daily living at the enhanced rate and the mobility element at the standard rate. She also receives the middle rate of DLA care and Universal Credit which includes the limited capability for work and disabled child elements.
	Dorota currently receives the maximum Council Tax Support award of £23.55 per week. This is because her income is at or below the minimum amount set by the Council for a person in her circumstances and no deduction is made for the non-dependant because she is disabled.
	Under the Council's proposed scheme, Dorota will receive Council Tax Support of £15.55 per week. Although Dorota falls within one of the financially vulnerable groups, a non-dependant deduction of £8.00 per week has been applied to her reduction.

6	Mohammad and Ishtaq are aged 40 and 48 and have a 12-year-old disabled child and two other children aged 8 and 16. They receive Child Tax Credit, Working Tax Credit, earned income of £269.00 per week and carers allowance. Their disabled child receives both elements of DLA. They have a current Council Tax liability of £32.33 per week.
	They currently receive £27.48 per week Council Tax Support because their income is at or below the minimum amount set by the Council for a couple in their circumstances.
	Under the Council's proposed scheme they will receive £11.96 per week, a reduction of £15.52 per week in their council tax support. They do not fall within any of the financially vulnerable groups and their earnings place them in band 3.

7	Femi is a 28-year-old single person. He works part-time and receives a small amount of Universal Credit to supplement his earned income of £130 per week. His Council Tax liability is currently £27.71 per week.
	He currently receives £21.55 per week council tax support. This is because his income is slightly higher than the minimum amount set by the Council for a person in his circumstances and his maximum reduction is reduced by £2.00 per week as a result.
	Under the Council's proposed scheme his entitlement will be £13.02 per week, a reduction of £8.53 per week. This is because he does not fall into any of the financially vulnerable groups and the level of his earned income places him in band 2.

8	Carl and Tajinder are aged 61 and 44. They have 5 children aged 5, 7, 9, 11 and 17. They receive Child Benefit and Carl earns £2335.62 per month. Their weekly Council Tax liability is £41.57.
	They currently receive £35.33 per week council tax support because their income is at or below the minimum amount set by the Council for a couple in their circumstances.
	Under the Council's proposed scheme, they will not receive any support – a loss of £35.33 per week. This is because their weekly earned income is greater than £350.00 per week – the upper limit of band 5.

Frequently Asked Questions

What is Council Tax Support?

Council Tax Support is a locally administered scheme which reduces the Council Tax bills of residents who are least able to afford to meet their liability.

There are two Council Tax Support schemes: one is for people above pension age and the other is for people who are below pension age (we call this 'working age').

The way in which Council Tax Support is calculated for pensioners is set nationally and the Council has no control about how the reduction is calculated.

The law says that: the Council must produce a scheme for working-age people; it must reconsider the scheme each year; and that if the Council is proposing to make any changes to the scheme it must carry out a consultation.

Why is the Council proposing to change the Council Tax Support scheme?

The Council has been supporting working-age households to meet their Council Tax liability since 2013 and is currently providing support up to a maximum of 85% of liability.

The cost of the scheme is increasing year-on-year. It is projected that, if the Council does not take action, it will have to spend more than £20m on the scheme in the financial year beginning April 2025. The Council cannot afford to keep the scheme running in its current form.

The Council's proposal seeks to protect the most financially vulnerable residents through a scheme which is affordable in the current economic climate.

Who is classed as a financially vulnerable person for the purposes of the proposed Council Tax Support scheme?

People classified as being financially vulnerable will continue to receive a maximum of 85% reduction in their Council Tax bill. The Council's scheme treats the following people as being financially vulnerable:

- Households including a child aged 5 or under;
- Households where the person claiming and/or that person's partner has been assessed as being incapable of work or a limited capability for work.

What are the changes proposed for households not classed as financially vulnerable in the proposed scheme?

For those not classed as financially vulnerable, support will be limited to a maximum of 57% of the Council Tax liability.

Households where neither the person applying for CTS nor their partner are in paid work will receive the maximum level of support.

All other households will receive 57%, 47%, 37%, 27% or 17% depending on the level of their earnings.

What changes are being proposed regarding non-dependant deductions?

The current scheme excludes some people from non-dependant deductions such as students and does not raise a deduction for some non-dependants. The deductions made relate to the income of a non-dependant. The new scheme proposes that:

1. There will be a reduction in support made in respect of all non-dependants;
2. Non-dependants who are not working will attract a reduction of £8.00;
3. Non-dependants who are working will attract a reduction of £20.00.

Which demographic of residents would be impacted by the proposed changes to the scheme?

The Council will be updating and presenting an Equalities Impact Assessment to Cabinet which will provide a detailed analysis of impact on protected groups under the Equality Act 2010, and mitigations available to address any apparent disproportionate impacts identified.

Based on the statistical information available from those in receipt of Council Tax Support, the proposed changes impact all working age residents, 66% of whom are women, 43% are single parents.

Ethnicity information is known for only 33.85% of cases because this information is declared on a voluntary basis. Based on statistical information available, 21% of residents in receipt of Council Tax Support are from Black British, Black Caribbean or Black African backgrounds (compared with 15% of the borough population).

33% of working-age residents are in receipt of a disability premium. Under the proposed scheme, working-age residents in receipt of a disability premium or with limited work capability are protected and will be eligible to continue to receive the same level of support of 85% as within the existing scheme.

How is the consultation being conducted?

The consultation will be launched online and will begin on the 18 October 2024. This will run until 24 November 2024. The Council will encourage participation from residents to seek their views on the proposed scheme.

Working-age residents in receipt of Council Tax Support will be contacted directly, via letter, email and text, to encourage participation.

The Council will also advertise the Council Tax Support consultation on social media channels, at libraries and via newsletters.

If I'm adversely impacted by the scheme and struggling financially, will the Council be able to support me in other ways?

The Council aims to use the findings from this consultation to inform how we use our discretionary hardship funds to target those in need and how we help people maximise their incomes.