

Response copied by email to
Eamonn.Hennessy@walthamforest.gov.uk

Eamonn Hennessy
Acting Head of Service - Benefits
London Borough of Waltham Forest
Waltham Forest Town Hall
Forest Road
London E17 4JF

City Hall
Kamal Churchie Way
London
E16 1ZE
Web: www.london.gov.uk

Our ref: 25-26CTSWalthF

Your ref:

Date: 24 November 2024

Dear Eamonn

**LONDON BOROUGH OF WALTHAM FOREST
GLA RESPONSE TO CONSULTATION ON PROPOSED CHANGES TO
COUNCIL TAX SUPPORT SCHEME FOR 2025-26**

Thank you for your emails dated 16 October informing the GLA about the council's consultation on its council tax support scheme for 2025-26. This letter sets out the GLA's response to this consultation.

Introduction

As in previous years, the GLA recognises that the determination of council tax support schemes, under the provisions of the Local Government Finance Act 2012, is a local matter for each London local billing authority. Individual schemes need to be developed which have regard to specific local circumstances, both in respect of the potential impact of any scheme on working age claimants (particularly vulnerable groups) and, more generally, the financial impact on the council and local council tax payers – and therefore the final policies adopted may, for legitimate reasons, differ across the capital's 33 billing authorities.

This fact notwithstanding the GLA also shares in the risks and potential shortfalls arising from the impact of council tax benefit localisation in proportion to its share of the council tax in each London billing authority. It is therefore important that the GLA is engaged in the scheme development process and has an understanding of both the factors which have been taken into account by boroughs in framing their proposals, as well as the data and underlying assumptions used to determine any forecast shortfalls which will inform the final scheme design. The GLA therefore welcomes the engagement which officers at Waltham Forest have provided to enable us to understand the proposed new CTS scheme and why it is being considered.

Framing Proposals

As part of the introduction of council tax support in 2013-14, the Government set out its expectation that, in developing their scheme proposals, billing authorities should ensure that:

- Pensioners see no change in their current level of awards whether they are existing or new claimants

- They consider extending support or protection to other vulnerable groups; and
- Local schemes should support work incentives and, in particular, avoid disincentives to move into work.

The GLA concurs with those general broad principles and would encourage all billing authorities in London to have regard to them in framing their schemes.

Financial Challenges Facing the London Borough of Waltham Forest

The GLA recognises the financial challenges facing the London Borough of Waltham Forest. It is noted that the council based on published information 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.

Waltham Forest – in common with many London boroughs experiencing demographic changes and population growth – has been disadvantaged by the delay in the implementation of the planned fair funding review. This would have allowed the demographic changes which have occurred in the last decade to be reflected in the level of resources received.

In relation to council tax support the GLA notes the distribution of funding has not changed since the former DWP subsidy – with a 10 per cent reduction - was rolled into revenue support grant and retained business rates when this was localised in 2013-14. This has meant that while the cost of council tax support schemes has grown in many outer London boroughs in the last decade this has not been matched to date matched by an uplift in funding. As local authorities must maintain the previous national default scheme for pensioner households the entire burden of any savings needed to make CTS schemes affordable therefore continues to fall on working age households.

The Council's council tax support scheme is forecast to cost around £20.6 million in 2025-26 if no changes are made. It is unable to alter its scheme for pensioner households and therefore any savings, if required, can only be delivered through changes for working age residents. The Council is considering changes to its council tax support scheme in 2025-26 to deliver additional savings.

Existing Council tax support Scheme for working age households

The Council's existing scheme was introduced on 1 April 2023. It is a means tested scheme and therefore the claimant's income is compared to an amount which it is considered their family/household needs to live on – commonly referred to as a 'needs allowance' or an 'applicable amount'. Under the scheme working age residents are entitled to support up to a maximum of 85 percent of their council tax liability and as a result they must therefore pay a minimum of 15 percent.

Proposed Changes to Waltham Forest’s working age Council tax support Scheme from 2025-26

The Council is consulting on a new scheme to be introduced from 2025-26 which is set out in more detail in Appendix A. A comparison between the existing and proposed new scheme is set out in Figure 1 below.

Figure 1 – Comparison of existing to proposed new scheme being consulted on

| Existing scheme in place for 2024-25 (Means tested) | Proposed scheme from April 2026 (Income banded) |
|--|--|
| Working-age residents are entitled to support of up to a maximum of 85%. | 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: <ul style="list-style-type: none"> • households with limited capability to work¹ • 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. |
| 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. | 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. |
| A person or couple with capital more than £6,000 will not be eligible for a reduction. | A person or couple with capital of more than £6,000 will not be eligible for a reduction. |

A household with a limited capacity to work (note 1 in the table) is defined as one where the person claiming support, or that person's partner, is either:

- Not able to work and is in receipt of a state disability-related benefit. or
- 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 has a limited capability for work. For example, those in receipt of the limited work capability component of universal credit.

The proposals and their impacts are set out on the Council's consultation webpage: <https://talk.walthamforest.gov.uk/council-tax-support-consultation>

The Council also states that it wishes Council Tax Support to continue to be available to support the boroughs most financially disadvantaged residents now and in the future. If these changes are implemented, the Council has indicated that it plans to provide additional assistance to reduce the impact of the most significant changes through the continuation of a discretionary fund. The findings from the consultation will be used to inform how it uses its discretionary hardship funds to target those in need and how it helps people maximise their incomes.

GLA response to proposed changes to Waltham Forest's council tax support scheme

The GLA acknowledges that local authorities face difficult choices on CTS schemes in light of their challenging financial circumstances. This is particularly acute in outer London boroughs like Waltham Forest which are seeing rapid demographic change leading to pressures on core services including adult social care and children's services alongside rising costs for temporary accommodation due to rising rents and pressures on the supply of housing.

The final scheme design is ultimately a local decision for the London Borough of Waltham Forest to determine. If the council decides it wishes to reduce the cost of the scheme, it is inevitable that some residents will, inevitably be required to pay more towards their council tax. The GLA considers this decision should be based on a comprehensive analysis of household capability to pay increased obligations, with changes to the scheme designed to safeguard against non-collection, minimise household debt, and ensure optimal revenue generation.

As well as enabling the Council to understand in greater detail how specific elements of the proposed changes will affect residents, modelling of households' ability to meet council tax obligations would allow the Council to accurately forecast collection rates, and thus estimate overall revenue accruing to the Council and the GLA as its major preceptor through the changes. Consideration of the impact on various socio-economic populations within the borough would also support the Council in identifying households most vulnerable to increases in household debt. This analysis could be used to calculate the level of changes likely to deliver optimal revenue generation and mitigate to some extent the risk of pushing households into problem debt.

Overall, this approach could support the Council in identifying unintended consequences arising from the proposed changes and develop tailored policies designed to minimise future costs for households and the Council associated with non-payments and increased household debt, utilising data-driven decision making to contribute to the community's long-term financial wellbeing.

Finally, the GLA welcomes the fact that the Council plans to provide additional assistance to reduce the impact of the most significant changes through the continuation of a discretionary fund.

Providing Information on Schemes

The GLA welcomes the fact that the Council has published scenarios setting out how the changes are likely to affect different households including the extra liabilities they might face from April 2025. It is important this is replicated when the Council publishes its final scheme in advance of council tax bills being issued in March 2025.

It should also conduct more detailed analysis of households' ability to meet these liabilities based on the administrative data the Council has access to. The GLA recommends using established platforms and methodologies for reliable analysis.

It should also publish a clear analysis of potential additional costs and savings it expects will materialise from the final scheme agreed so that all local residents and council taxpayers as well as stakeholders such as the GLA are aware of the implications.

Setting the Council Tax Base for 2025-26 and Assumptions in Relation to Collection Rates

The council will be required to set a council tax base for 2025-26 taking into account the potential impact of the discounts the council may introduce in respect of its revised council tax support scheme and any potential changes the council may implement regarding the changes to the treatment of empty homes and, via new legislative power coming into force, second homes.

The council will as part of this need to make a judgement as to the forecast collection rates from those claimants and council taxpayers affected by any changes to its local council tax support scheme.

The GLA would encourage the council to provide it with an indicative council tax base forecast as soon as options are presented to members for approval, in order that it can assess the potential implications for the Mayor's budget for police, fire and other services for 2025-26. This should ideally be accompanied by supporting calculations disclosing any assumptions around collection rates and discounts granted having regard to the final council tax support scheme design.

I would like to thank you again for consulting the GLA on the changes being considered to the Waltham Forest's council tax support scheme for 2025-26.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Mitchell', written in a cursive style.

Martin Mitchell

Finance Manager

Email: GLAbudget@london.gov.uk and martin.mitchell@london.gov.uk

PROPOSED OPTIONS BEING CONSULTED TO AMEND THE COUNCIL TAX SUPPORT SCHEME FOR WORKING AGE RESIDENTS IN WALTHAM FOREST IN 2025-26

The Council is proposing to adopt 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.

For the purposes of this scheme, 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.

Claimants/households 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 claimants 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 earned income. These calculations and bands are set out in figure 1 below.

Figure 1 – Proposed income bands and level of support

| 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 |

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 proposed scheme 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.

The Council proposes no changes to our capital limit, meaning:

- The capital/savings limit for getting support would continue as now at £6,000

Formal consultation with residents and other groups commenced 18 October 2024. An advert was included in the Waltham Forest News which is delivered to all households in the borough. The consultation was also promoted on social media, via email to residents signed up to Residents News and it wrote separately directly using letters, texts, and emails as appropriate to all working age residents currently in receipt of Council Tax Support to encourage participation in the consultation.