

CABINET

18 January 2022

Title: Council Tax Support Scheme 2022/23	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Andy Jeffs, Directors of Welfare & Support	
Accountable Strategic Leadership Director: Mark Fowler, Strategic Director of Community Solutions	
Summary <p>The Council has a statutory duty to consider annually whether to revise its Local Council Tax Support Scheme (CTS) for working age recipients, replace it with another scheme or retain the current scheme. The scheme that exists for pension age recipients is a nationally prescribed scheme and cannot be varied locally.</p> <p>The CTS scheme for 2022/23 requires no further changes due to the administrative improvements implemented within the 2021/22 CTS scheme. Those changes improved clarity, alignment with other welfare benefits, primarily Universal Credit, and enhanced access for those eligible for entitlement. There are expected to be new regulations published in January 2022 relating to the prescribed requirements for the pension age scheme. These will be incorporated into the Council's CTS prior to publication</p> <p>The current CTS scheme meets the current Council priorities of financial independence and resilience, with improved access to support and services, whilst protecting the most vulnerable within the borough.</p> <p>The Assembly has a legal duty to approve the CTS scheme by 31 January 2022.</p>	
Recommendation(s) <p>The Cabinet is asked to recommend the Assembly to:</p> <ul style="list-style-type: none">(i) Agree that the Council Tax Support Scheme implemented for 2021/22 remain unchanged and implemented for 2022/23; and(ii) Note that any changes to the prescribed requirements for the pension age scheme shall be incorporated into the CTS before publication.	

Reason(s)

To assist the Council to achieve its priorities of a Well Run Organisation and Prevention, Independence and Resilience by improving access to support and services and protecting the most vulnerable in society.

1. Introduction and Background

- 1.1. The Welfare Reform Act in 2012 abolished Council Tax Benefit (CTB) from April 2013 and, in its place, support took the form of a local Council Tax Support Scheme (CTS). The Local Government Finance Act 2012 contains provisions for the setting up of local support schemes. The current scheme in Barking & Dagenham has been based around the Default Council Tax Reduction Scheme and has been ratified by Assembly.
- 1.2. Local schemes must take account of and support the following principles:
 - Work incentives and avoid disincentives for those moving into work
 - The Council's duties to protect vulnerable people (under the Equality Act 2010, the Care Act 2014, the Child Poverty Act 2010 and the Housing Act 1996)
 - The Armed Forces Covenant
- 1.3. The current scheme in operation ensures that these principles are met:
 - The support for claimants is based on each individual's ability to pay and this means tested approach is fair and equitable and protects the most vulnerable
 - Pensioners are protected under the nationally prescribed pension age CTS scheme and must be able to receive up to a 100% reduction under the national scheme rules
 - A "minimum payment" of 25% is required for all working age claimants in Barking & Dagenham. There is therefore a maximum liability of 75% for all working age claimants on which any entitlement to CTS is calculated
 - Those who are not pensioners and with capital in excess of £10,000 are not eligible for CTS under this scheme
 - Universal Credit is considered and aligned with the principles of Housing Benefit administration
- 1.4. The Council must consider whether to revise or replace its CTS scheme for working age recipients each financial year. However, it does not actually have to revise or replace its scheme and can choose to retain the scheme unchanged from the prior financial year. The scheme that exists for pension age recipients is a national scheme prescribed by regulations and this cannot be varied at a local level. Prescribed regulation changes to the pension age scheme must be applied.
- 1.5. In order to change its scheme the Council is required by law to:
 - Consult with the major precepting authorities
 - Consult with other persons it considers are likely to have an interest in the operation of the scheme

2. Proposal and Issues

- 2.1 This report proposes the retention and, therefore, continuation of the current CTS scheme into 2022/23. This will include the application method, means testing entitlement criteria, ways to appeal, the adjustment of changes in circumstances and notifications of awards.

3. Options Appraisal

- 3.1 An options appraisal for the CTS 2022/23 was undertaken in April 2021 to explore the possible options for a revised or replacement scheme. Due to Covid and its subsequent impacts on the borough, the scheme will now be reviewed during 2022/23 for consideration of implementation in 2023/24.
- 3.2 The options appraisal therefore recommends the retention of the current CTS scheme.

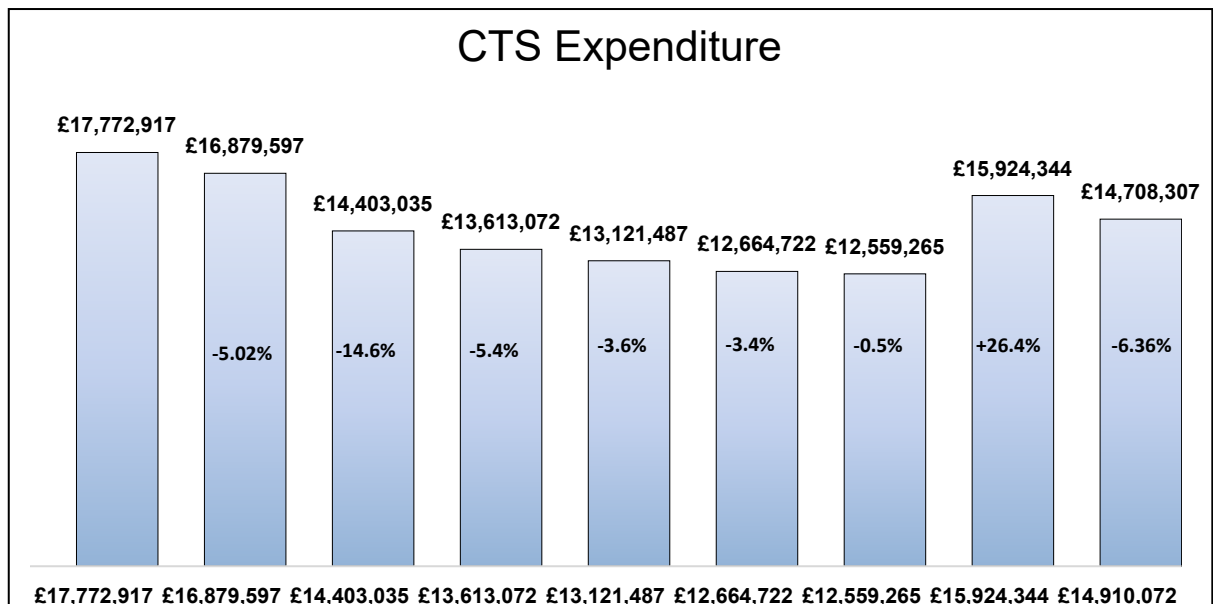
4. Consultation

- 4.1 Consultation is only required when a revision or a replacement of the CTS scheme is proposed. As no revision or a replacement of the CTS scheme are proposed for the 2022/23 scheme, public consultation is not required.
- 4.2 The proposals in this report were considered and endorsed by the Corporate Strategy Group (CSG) at its meeting on 18 November 2021.

5. Financial Implications

Implications completed by Katherine Heffernan, Head of Service Finance

- 5.1 The Council is required to maintain a CTS Scheme. This is now funded as part of the Council's overall funding settlement and so any increases or decreases in take up or cost fall upon the Council's budget (rather than being provided for by a grant) and becomes a cost to the authority's budget in the following financial year.
- 5.2 CTS expenditure had been reducing year on year from the commencement of a localised CTS scheme in 2012/13 and does vary based on demand. The impact of Covid-19 within the 2020/21 financial year saw significantly increased demand for access to the scheme resulting in an increase in expenditure of 26.4% . This was a cumulative effect of the £150 hardship payment government awarded, the number of cases that migrated to Universal Credit and also Furlough reducing household incomes. The CTS case load increased around 10% when including all these factors.
- 5.3 The overall impact of Covid-19 has been significant in terms of expenditure and case load, reversing the trend of prior years' which had seen the caseload and expenditure decline year on year.



5.4 The total current cost for the 2021/22 financial year is expected to be in the region of £14.7m, and is currently broken down (to date) as follows:

Cost of Current Scheme by age group 2021/22			
Age Group	Number of Households	Support Payable (£/annum)	Support Payable (£/week)
All working age	12,029	£9,621,162	£15.38
Pension age	4,634	£5,087,145	£21.11
Total	16,663	£14,708,307	£16.97

5.5 The Council has a duty to set a tax base for council tax purposes by 31 January, each year, using data held by the Council on 30 November the previous year. Increases in the CTS Scheme reduce the tax base for the next financial year and so can reduce the available budget. Current data has shown increased access to the scheme due to Covid-19, and the costs for 2021/22 will be in the region of £14.7 million. Increased costs for the current financial year can be attributed to greater access to the scheme, with an increased case load, caused by Covid-19 and its impact on the local economy and employment.

5.6 Additional grant funding of £2.023m was provided by the Government in 2021-22 to support the increased costs of the scheme resulting from the impact of Covid. We are still awaiting details of the Local Government funding settlement for 2022-23 which is expected to be published in December but the Government have not so far indicated that they will continue this additional support.

5.7 This report proposes no changes to the current scheme apart from the government prescribed regulation changes to the pension age scheme and these are not expected to have any financial implications arising directly.

5.8 However, it should be noted that financial impacts will arise as the result of changes to the wider economic environment and residents' financial situations. As described

above the impact of Covid has been to increase the cost of the scheme. On the other hand there are factors that will tend to decrease the costs:

- Where amounts specified such as the applicable amount rise by less than local income inflation this will over time tend to remove households from eligibility and so reduce the cost of the scheme.
- And as the existing legacy benefit case load is replaced by Universal Credit claimants, this will also reduce the cost of the scheme for working age claimants due to the tapers and architecture that are applied within the calculation of Universal Credit. This results in working age households on Universal Credit receiving on average lower CTS awards.

5.9 Although these factors will decrease the cost of the LCTS scheme it should be noted that households on very low incomes on or near the thresholds for CTS are likely to struggle to pay their Council Tax. Council Tax arrears are more common, and more severe under Universal Credit than under existing legacy benefits. As an increasing proportion of the CTS case load migrates to Universal Credit there remains an ongoing risk of increased Council Tax arrears. Increasing levels of arrears also represent a cost to the Council.

5.10 The Council must set aside a discretionary fund for circumstances of exceptional hardship. It is anticipated that a discretionary fund of £50,000 can be created to assist those with exceptional circumstances. This would be monitored and reviewed quarterly, although case law does suggest that if exceptional hardship is shown the Council must grant a discretionary reduction and cannot refuse due to a “depleted budget”. It is therefore vital that a clear policy is implemented so the Council can set their own criteria of whom would qualify for a discretionary reduction. The cost of the discretionary fund will reduce the overall Council Tax collected by £50,000.

6. Legal Implications

Implications completed by Dr Paul Feild, Senior Governance Lawyer

6.1 The CTS scheme is a continuation of the 2021/22 scheme as approved by the Assembly last year. It was produced following consultations as required by the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012.

6.2 As observed in the report the discretionary hardship fund while set at £50,000 shall be administered according to the exceptional hardship policy and the cap is not a reason for refusal.

7. Other Implications

7.1 **Risk Management** - It is considered likely that keeping the current scheme will continue to make it difficult to collect Council Tax from those entitled to a reduction under the scheme. The current minimum payment of 25% required for all working age claimants will continue to disproportionately affect the lowest socio-economic group.

Currently there are 78,569 live properties with a Council Tax Charge in this borough, and 16,663 Council Tax Support claims against these properties as of the 21 September 2021. There is an ongoing risk that the CTS caseload could continue to increase, or be maintained at the current level, reducing the tax base for the next financial year, and reducing the available budget.

- 7.2 **Corporate Policy and Equality Impact** – Although there are no new equality impacts due to the retention of the 2021/22 scheme, the Equality Impact Assessment has been reviewed and the 2022/23 version is at Appendix 1.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- **Appendix 1** – Council Tax Support Scheme EIA 2022/23