

## CABINET

12 July 2022

<b>Title:</b> Proposed Council Tax Support Scheme 2023/24	
<b>Report of the Cabinet Members for Finance, Growth and Core Services and Community Leadership and Engagement</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Director:</b> Stephen McGinnes, Director of Support & Collections	
<b>Accountable Strategic Leadership Director:</b> Judith Greenhalgh, Strategic Director of Community Solutions	
<b>Summary</b> <p>The Council has a statutory duty to consider annually whether to revise its Local Council Tax Support (CTS) scheme for working age recipients, replace it with another scheme or retain the current scheme. This excludes the scheme that exists for pension age recipients which is a nationally prescribed scheme and cannot be varied locally. The Assembly approved the CTS scheme for 2022/23 on 26 January 2022.</p> <p>Where there are significant changes proposed, it is necessary for a public consultation to be undertaken which requires early consideration of proposed changes.</p> <p>This report sets out proposals to revise the Council Tax Support Scheme to be implemented for 2023/24 by reducing the minimum payment applied within the CTS scheme by 10% to 15%, as a way of supporting low-income residents during the cost-of-living crisis. The report also sets out plans to replace the percentage minimum payment CTS scheme with a new 'banded' scheme for 2024/25. A new banded scheme will require an 18-month implementation period.</p> <p>The Assembly has a legal duty to approve the CTS scheme by 31 January each year.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Support the proposed Model 2 for the 2023/24 CTS scheme, which would reduce the minimum payment applied within the CTS scheme by 10% to 15%;</li><li>(ii) Note that the above proposal shall be subject to public consultation and formal approval by the Assembly in due course;</li></ul>	

- (iii) Support the proposal to replace the current CTS scheme with a new 'banded' scheme for 2024/25 and authorise the Director of Support and Collections to commence consultation and the modelling process to enable the replacement CTS scheme to be implemented for 2024/25.

#### **Reason(s)**

To assist the Council in achieving its vision of 'One Borough; One Community; No-One Left Behind' by supporting low-income residents during the cost-of-living crisis.

## **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).
- 1.2. 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 was approved by Assembly on 26 January 2022.
- 1.3. 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
- 1.4. The current scheme in operation ensures that:
- The support for claimants is based on each individual's ability to pay through a means tested approach.
  - 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% towards their Council Tax liability is required for all working age claimants in Barking & Dagenham irrespective of their financial circumstances
  - Those who are not pensioners and with capital in excess of £10,000 are not eligible for CTS under this scheme
- 1.5. Expenditure on the CTS scheme has declined year on year, with the exception being the 2020/21 financial year due to the impact of Covid-19. The CTS caseload has also declined year on year. The value of CTS awards has also reduced during this period for working age claimants.
- 1.6. The Council must consider whether to revise or replace its CTS scheme each financial year, for working age recipients. 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.

1.7 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.

1.8 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 The current CTS scheme has a minimum payment of 25% for all working age claimants irrespective of financial circumstance.

2.2 This was introduced in the 2015/16 CTS scheme to reduce overall CTS expenditure due to ongoing budget pressures through the reduction in Central Government funding for Local Authorities.

2.3 A majority of London Boroughs have minimum payments within their CTS schemes that are less than the 25% currently applied. Only 6 out of 31 Boroughs have comparable or higher minimum contributions making the Council hold one of the most punitive minimum payment rates in Greater London.

This equates to the 4<sup>th</sup> highest minimum payment in cash terms in Greater London of £446.20 for a Band D property, irrespective of financial circumstances.

London Borough	Scheme Type	Minimum Payment %	Band D payment
<b>Barking &amp; Dagenham</b>	Means tested	25%	£446.20
<b>Westminster</b>	Means Tested	0%	£0.00
<b>Wandsworth</b>	Means Tested	30%	£259.81
<b>Hammersmith &amp; Fulham</b>	Means Tested	0%	£0.00
<b>Kensington &amp; Chelsea</b>	Means Tested	0%	£0.00
<b>Newham</b>	Means Tested	10%	£153.22
<b>Tower Hamlets</b>	Means Tested	0%	£0.00
<b>Southwark</b>	Means Tested	0%	£0.00
<b>Lambeth</b>	Means Tested	20%	£332.04
<b>Hackney</b>	Means Tested	15%	£250.66
<b>Hillingdon</b>	Income Banded	10%	£165.88
<b>Greenwich</b>	Means Tested	0%	£0.00

<b>Islington</b>	Means Tested	8.5%	£145.37
<b>Ealing</b>	Income Banded	25%	£433.87
<b>Bromley</b>	Means Tested	25%	£434.18
<b>Barnet</b>	Income Banded	28%	£411.40
<b>Hounslow</b>	Means Tested	0%	£0.00
<b>Merton</b>	Means Tested	0%	£0.00
<b>Camden</b>	Income Banded	0%	£0.00
<b>Brent</b>	Income banded	0%	£0.00
<b>Lewisham</b>	Means Tested	25%	£454.20
<b>Redbridge</b>	Means Tested	15%	£279.51
<b>Enfield</b>	Means Tested	24.5%	£451.21
<b>Haringey</b>	Means Tested	0%	£0.00
<b>Bexley</b>	Income Banded	20%	£384.59
<b>Waltham Forest</b>	Means Tested	24%	£465.58
<b>Sutton</b>	Income Banded	20%	£386.24
<b>Croydon</b>	Means Tested	15%	£294.84
<b>Havering</b>	Means Tested	20%	£394.19
<b>Harrow</b>	Income Banded	30%	£612.62
<b>Richmond upon Thames</b>	Means Tested	0%	£0.00
<b>Kingston upon Thames</b>	Means Tested	0%	£0.00

2.4 Analysis from the IFS <sup>1</sup> has shown a direct link between higher minimum payments in CTS schemes and lower overall Council Tax collection rates.

Minimum payment level in CTS (liability restriction)	Estimated effect on Council Tax collection rate
Up to 8.5%	-0.09%
8.6 to 20%	-0.24%
Over 20%	-0.49%

2.5 Research also undertaken by the New Policy Institute (NPI) indicates a strong relationship between levels of minimum payments and Council Tax arrears and collection rates. This research indicates that there is a marked increase in arrears where the minimum payment is above 20% of liability and Councils with the largest increases in unpaid Council Tax were those with the highest minimum payments. <sup>2</sup>

<sup>1</sup> Adam, Joyce & Pope – ‘the impacts of localised CTS schemes – IFS – 2019

<sup>2</sup> NPI analysis of collection rates 2012/13 to 2015/16 & Are Cuts to CTS in England a false economy for Councils – 2017

- 2.6 Consideration should be given to the ability to pay Council Tax. The current collection rate for CTS claimants for 2020/21 was 87.6% against an overall collection rate of 93.18%.
- 2.7 The collection rate for CTS claimants in receipt of Universal Credit (UC) is lower at 82%.
- 2.8 The ongoing migration of the legacy benefit case load to UC poses a risk to collection rates.
- 2.9 Current poverty trackers confirm Barking & Dagenham to have the lowest (worst average rank) combining the 10 poverty indicators in the Greater London area.
- 2.10 Since 2015/16, Council Tax has risen by a total of 34% in the borough. This results in a real term cut to the value of the CTS award over the period due to the minimum payment applied. As a consequence, the current CTS scheme does not provide the same level of support to residents of the borough that was provided in 2015/16 and arguably does not provide sufficient support to residents in light of the socio-economic demographics and poverty indicators within the borough.
- 2.11 It is recommended that consideration be given to reducing the minimum payment applied within the 2023/24 CTS scheme by a % amount to better support low-income residents of the borough, including the most financially excluded, with their ongoing Council Tax costs.
- 2.12 The current CTS scheme is based on the centrally defined default scheme. This scheme has several disadvantages that can be summarised as follows:
- A highly complex calculation of entitlement and legislative based assessment process
  - Highly reactive to minor changes in circumstances generating high volumes of work and multiple Council Tax bill adjustments
  - Complex administration for staff
  - Complex for residents to understand
  - Difficult to simplify
  - Difficult to achieve high levels of automation
  - The impact of Universal Credit
- 2.13 The full migration of the existing legacy benefit caseload to UC is now expected to be completed by 2024 with managed migration now being undertaken by the DWP.
- 2.14 The migration to UC has had a significant impact on the CTS scheme due to the differences in assessment of support under the old and new benefits systems.

The key impacts of UC on the CTS scheme can be summarised as follows:

- UC claimants on average have less entitlement to CTS than existing legacy benefit claimants due to the design of UC
- CTS is highly reactive to change as entitlement is re-assessed every month. UC claimants require monthly re-assessment of UC awards requiring

processing. This results in claimants receiving up to 12 revised Council Tax bills and adjustment notices in the financial year

- UC has a direct impact on issues with take up with the separate application process between CTS and UC. The previous application process for legacy benefit claims saw HB and CTS applied for at the same time
- Evidence of increased Council Tax arrears under UC claimants than existing legacy benefit claimants, that is consistent across demographics and vulnerable groups
- Council Tax rises will disproportionately effect UC claimants in receipt of CTS when a minimum payment threshold is applied

2.15 As the UC caseload within CTS continues to increase there is a need to consider scheme changes that will work alongside UC in a more efficient way.

2.16 A replacement CTS scheme is required for 2024/25 that seeks to address the issues raised above in order to better support residents within the borough.

### **3. Options Appraisal**

3.1 An options appraisal has been undertaken to explore the possible options for a revised or replacement CTS scheme. The options available are as follows:

- Maintain the current scheme
- Maintain the current scheme with changes to the % minimum payment
- Implementation of a completely new 'Banded' CTS scheme

3.2 The implementation of a completely new 'Banded' CTS scheme requires the following:

- Engagement with members, residents & voluntary sector groups to obtain feedback on future changes
- High level principles of a scheme change to be agreed
- Engagement of an external third party to undertake scheme & financial modelling
- CSG and Cabinet approval
- Public consultation
- ICT engagement for implementation

3.3 Within this options appraisal consideration was given to changes to the % minimum payment and the replacement of the scheme with a new banded scheme.

3.4 A replacement of the current CTS scheme with a new banded scheme is an undertaking that has a significant cost and time implication in the modelling of a replacement scheme and the appointment of an external partner to support the modelling process.

3.5 An 18-month period is required for evaluation and modelling of a revised or new CTS scheme once a full evaluation has been undertaken.

3.6 It is recommended that this process is now commenced with consideration for the implementation of a new CTS scheme for 2024/25.

- 3.7 A revised scheme for 2023/24 with a change to the minimum payment amount is feasible in the time frame currently available.
- 3.8 The options appraisal has the following options for a revision of the CTS scheme 2023/24:
- Model 1: 5% reduction in the minimum payment amount to 20%
  - Model 2: 10% reduction in the minimum payment amount to 15%
  - Model 3: 15% reduction in the minimum payment amount of 10%
- 3.9 Model 1 is held to provide additional support for low-income residents of the borough but does retain a minimum payment amount that may be considered too high against the socio-economic demographics of the borough.
- 3.10 Model 2 is held to balance the need to better support low-income residents of the borough, including the most financially excluded, with their ongoing Council Tax costs. Residents will be supported with their ongoing cost of living through an increase in the value of the CTS award, reducing the payable Council Tax charge, increasing resident income, and this is balanced against the financial cost to the Council. For those reasons Model 2 is recommended.
- 3.11 Model 3 has significant cost implications and financial impact for the Council for implementation.

#### **4. Consultation**

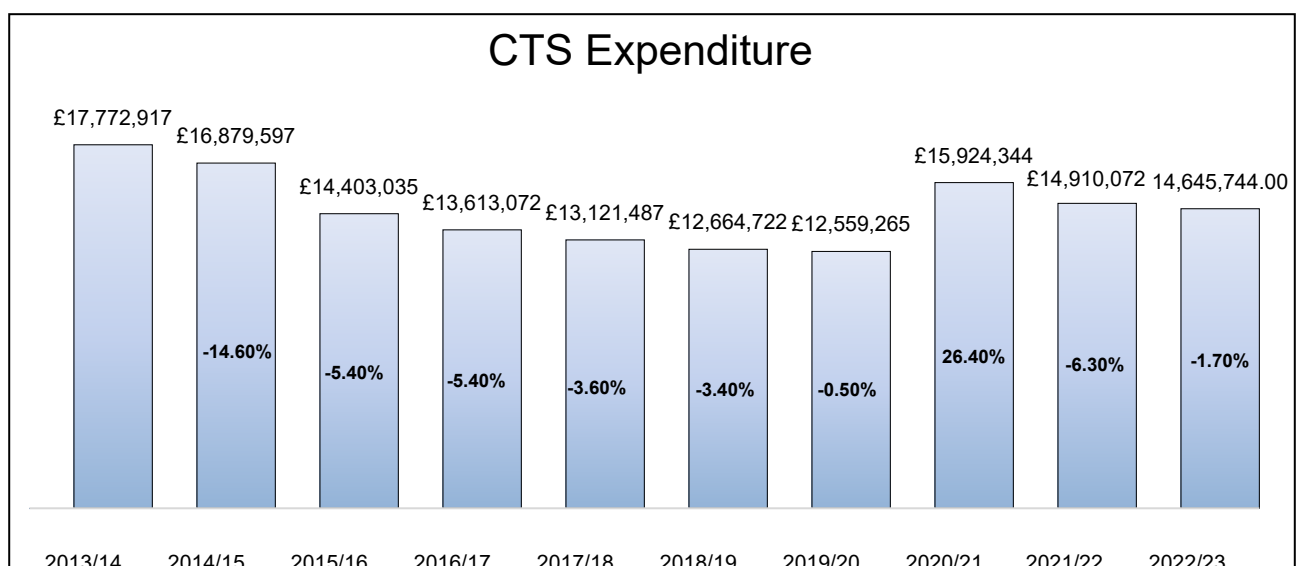
- 4.1 Prior to the implementation of any change to the CTS scheme, the Council is required to consult with the residents of the borough. The guiding principles that have been established through case law for fair consultation are as follows:
- The consultation must be carried out at an early stage when the proposals are still at a formative stage
  - Sufficient information on the reasons for the decision must be provided to enable the consultees to carry out a reasonable consideration of the issues and to respond
  - Adequate time must be given for consideration and responses to be made
  - The results of the consultation must be properly taken into account in finalising any decision
- 4.2 The aims of any consultation should be to:
- Inform residents and help them understand the impact of the proposals
  - Confirm why the proposals are being made
  - Detail any alternative proposals
  - Give purposeful consideration to realistic alternative proposals presented
  - Obtain feedback on whether residents support the proposals
- 4.3 The consultation is anticipated to be primarily web based with information made available on the website and advertised in the media, with further promotion at the libraries and community hubs, to encourage residents to participate.

- 4.4 To account for digital exclusion paper copies will be made available.
- 4.5 Consideration will be given to direct contact with current CTS claimants, either by email or with paper copies if email addresses are not held.
- 4.6 Contact and engagement with affected stakeholders such as CAB, DABD and other voluntary groups will also be required to obtain their views on the proposed changes.
- 4.7 The outcome of the consultation will be reported to Cabinet.

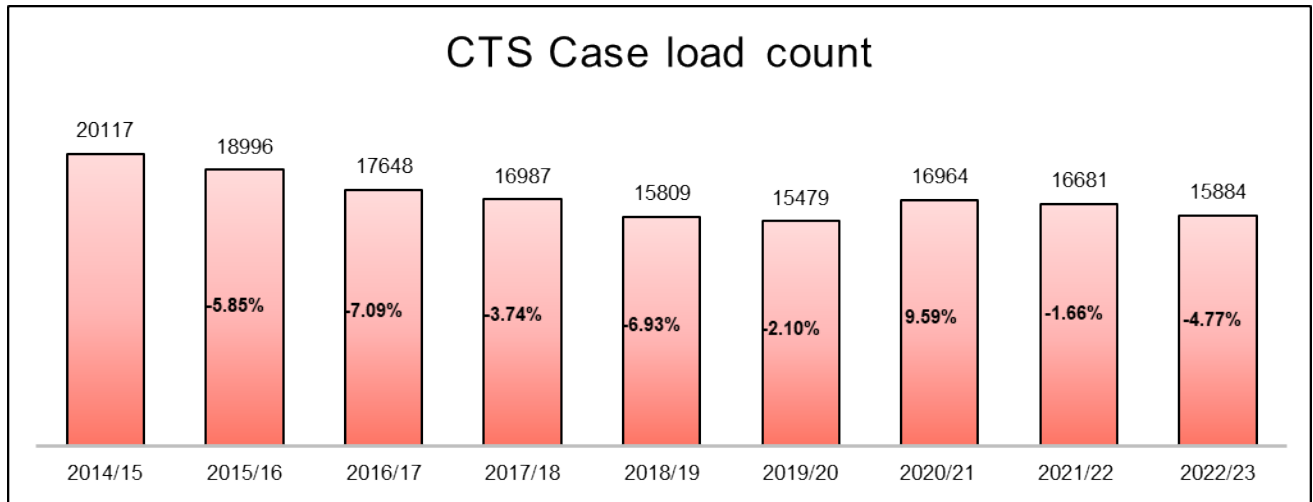
## 5. Financial Implications

Implications completed by: Philippa Farrell, 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 has reduced year on year from the commencement of a localised CTS scheme in 2012/13 and will vary based on demand.
- 5.3 The impact of Covid-19 within the 2020/21 financial year saw a significant increase in demand for access to the scheme resulting in an increase in expenditure of 26.4% and a CTS case load increase of approximately 10%.
- 5.4 Expenditure and case load has again reduced in the 2021/22 & 2022/23 financial years.







- 5.5 The current CTS expenditure for the working age scheme for 2022/23 is currently £9,425,605.09.
- 5.6 The CTS caseload has declined on average by -4.5% over the last seven years (excluding 2020/21 – Impact of Covid-19). This average reduction in the caseload (-4.5%) is costed at £424,152.22
- 5.7 A reduction in the minimum payment amount will see a corresponding increase in case load as more households become eligible. This can be modelled based on the 2021/22 case load to determine possible increased expenditure.
- 5.8 This can be modelled as follows:

	Increase in expenditure
5% reduction in minimum payment	8.34%
10% reduction in minimum payment	16.29%
15% reduction in minimum payment	24.28%

- 5.9 A change to the minimum payment will see a corresponding change in caseloads, with a decrease in one creating an increase in the other. This cannot be accurately modelled, there will also be natural increase in caseloads as the cost-of-living crisis begins to take hold.
- 5.10 The following tables demonstrates the additional cost to the council in implementing a reduced minimum payment based on an increased in caseload, with no natural reduction in case load.

Proposal Reduction:	Reduction to current level	Cost	LBB Share 77.84%	GLA Share 22.16%	Community Solution Reserve Contribution	Pressure on Central Resource (Wider Organisational Impact)
Reduce to 20%	5%	£788k	£613k	£175k	£613k	£0
Reduce to 15%	10%	£1,584k	£1,233k	£351k	£767k	£466k
Reduce to 10%	15%	£2,293	£1,785k	£508k	£767k	£1,018k

- 5.11 A projected increase in case load is considered the most accurate financial model for the cost of implementing a scheme change to the minimum payment amount.
- 5.12 It should be noted that the above modelling relates only to the changes proposed for 2023/24. It does not model any impact on the more fundamental changes proposed. This modelling and consideration of the financial impact will be brought through the MTFS as of October 2023. However, it should be noted that should a lower level be approved for 2023/24 it will likely be the minimum level the Council will have to fund ongoing.
- 5.13 The Council has a reserve amount of c£764k within Community Solutions which as outlined in the above modelling would cover the Model 1 proposal. Should the Council approve Model 2, a contribution from a central reserve (Welfare Reserve) of £466k will be required, which will fund this for one year. Please note that the GLA will meet a percentage of these costs. This is a reserve amount and once used cannot be used again. Therefore, the ongoing impact would be a gap in the MTFS of a corresponding amount.
- 5.14 It should be noted that as part of the response to the cost-of-living crisis the Council proposed a ringfenced reserve of £4.5m (Welfare Reserve) be created as part of the 2021/22 outturn cabinet report. This one-off funding is available should the Council wish to consider the alternative models proposed. However, it should be noted that this would then likely form the minimum requirement in future years creating a gap in the MTFS.
- 5.15 CTS is one of the most cost-effective ways for the Council to tackle financial pressures faced by constituents. But it is not the only mechanism and is not going to have an impact until next year, this should be kept in mind when considering the allocation of resource. The Welfare Reserve will be required for other initiatives so consideration of this needs to be taken in account. The cost-of-living crisis impact is already beginning to have impact and therefore this funding should also be considered for more immediate impact.
- 5.16 As outlined above any commitment here will be difficult to step back from and therefore the long-term impact on the MTFS should be considered and is a considerable risk.

## 6. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 6.1 As the CTS is being changed it is a statutory requirement for the Council to carry out consultation on the changes as set out by the Local Government Finance Act 1992 Schedule 1A paragraph 3 as amended by the Local Government Finance Act 2012.
- 6.2 It must take due consideration of the consultation responses before adopting a revised scheme.

## 7. Other Implications

- 7.1 **Risk Management** - The risks associated with implementing and operating a revised scheme with a reduced minimum payment are considered to be low with the endorsement of the scheme change by residents and stakeholders to further reduce any associated risk.

It is considered likely that keeping the current scheme unchanged 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 and not provide the required level of support to residents of the borough.

With the cost of the scheme determined by demand, there remains a risk that future fluctuations in demand could place an additional financial burden on the Council.

- 7.2 **Corporate Policy and Equality Impact** - An equality and impacts assessment is considered in the proposed Council Tax Support scheme 2023/24 EIA report (Appendix 1).

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

### List of appendices:

- Appendix 1 – Council Tax Support Scheme – Proposed changes - EIA 2023/24