

CABINET

17 January 2023

Title: Council Tax Support Scheme 2023/24 and Council Tax Support Fund	
Report of the Cabinet Members for Finance, Growth and Core Services and Community Leadership and Engagement	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Stephen McGinnes, Director of Support & Collections	
Accountable Strategic Leadership Director: Fiona Taylor, Acting Chief Executive	
Summary <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.</p> <p>At its meeting on 12 July 2022 (Minute 16 refers), the Cabinet supported a revised CTS scheme for 2023/24 which would reduce the minimum payment applied within the CTS scheme from 25% to 15% of the individual Council Tax bill, as a way of supporting low-income residents during the cost-of-living crisis.</p> <p>Due to the changes proposed to the CTS scheme, it was necessary for a public consultation to be undertaken in advance, which was carried out between 5 September and 5 October 2022.</p> <p>A detailed analysis of the responses to the CTS consultation is set out at Appendix 1. This reflects support for the proposal to reduce the minimum payment applied within the CTS scheme from 25% to 15%.</p> <p>The Assembly has a legal duty to approve the CTS scheme by 31 January each year.</p> <p>This report also sets out proposals relating to the notification received from the Department for Levelling Up, Housing and Communities (DLUHC) on 23 December 2022 of a £405,573 grant to provide additional support to low income households in receipt of CTS with their Council Tax payments. The grant, which is to be administered through the Council's discretionary powers, is intended to provide a further rebate of up to £25 per household and is expected to benefit approx. 15,000 low-income households in receipt of Council Tax Support. The additional support will be provided as a reduction on the bill and will not require an application to be made.</p>	

Recommendation(s)

The Cabinet is asked to:

- (i) Agree to implement an additional one-off reduction of up to £25.00 for households in receipt of Council Tax Support and delegate authority to the Director of Support and Collections, in consultation with the Cabinet Member for Finance, Growth and Core Services, to determine and implement a scheme for its delivery in line with the guidance issued by the Department for Levelling Up, Housing and Communities;
- (ii) Recommend the Assembly to:
 - a). Agree, in light of the positive response to the public consultation, to adopt Model 2, as detailed in the report, as the CTS Scheme for 2023/24, which would reduce the minimum payment from 25% to 15% of the individual Council Tax bill, as a way of supporting low-income residents during the cost-of-living crisis; and
 - b). Note that a fundamental review of the CTS scheme shall be undertaken in preparation for the determination of the CTS scheme for 2024/25, with a view to providing a more transparent and simple approach, with predictable levels of support, via a new banded scheme.

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 has been ratified by Assembly.
- 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% of 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 with the value of CTS awards also reducing during this period for working age claimants. This is due to the Universal Credit (UC) Migration, as recipients of UC receive lower levels of Council Tax Support through the means testing process. The recipient also has to undertake a work commitment with UC and increase their hours or wages which reduces entitlement further.

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. This is the minimum payment and the contribution rate is dependent on income levels.

2.2 The 25% minimum payment 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. As the table below shows, only 6 out of 31 Boroughs have comparable or higher minimum contributions, meaning Barking and Dagenham has one of the less supportive minimum payment rates in Greater London. This equates to the 4th 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
Barking & Dagenham	Means tested	25%	£446.20
Westminster	Means Tested	0%	£0.00
Wandsworth	Means Tested	30%	£259.81
Hammersmith & Fulham	Means Tested	0%	£0.00
Kensington & Chelsea	Means Tested	0%	£0.00
Newham	Means Tested	10%	£153.22
Tower Hamlets	Means Tested	0%	£0.00
Southwark	Means Tested	0%	£0.00
Lambeth	Means Tested	20%	£332.04
Hackney	Means Tested	15%	£250.66
Hillingdon	Income Banded	10%	£165.88
Greenwich	Means Tested	0%	£0.00
Islington	Means Tested	8.5%	£145.37
Ealing	Income Banded	25%	£433.87
Bromley	Means Tested	25%	£434.18
Barnet	Income Banded	28%	£411.40
Hounslow	Means Tested	0%	£0.00
Merton	Means Tested	0%	£0.00
Camden	Income Banded	0%	£0.00
Brent	Income banded	0%	£0.00
Lewisham	Means Tested	25%	£454.20
Redbridge	Means Tested	15%	£279.51
Enfield	Means Tested	24.5%	£451.21
Haringey	Means Tested	0%	£0.00
Bexley	Income Banded	20%	£384.59
Waltham Forest	Means Tested	24%	£465.58
Sutton	Income Banded	20%	£386.24
Croydon	Means Tested	15%	£294.84
Havering	Means Tested	20%	£394.19
Harrow	Income Banded	30%	£612.62

Richmond upon Thames	Means Tested	0%	£0.00
Kingston upon Thames	Means Tested	0%	£0.00

2.4 Analysis from the IFS ¹ has showed 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. ²
- 2.6 Consideration should be given to the ability to pay Council Tax. The collection rate for CTS claimants for 2020/21 was 87.6%. against an overall collection rate of 93.18%. In 2021/22, the collection rate for CTS claimants was 87.9% against an overall collection rate of 93.64%. The collection rate for CTS claimants in receipt of Universal Credit (UC) is lower at 83.1%.
- 2.7 The ongoing migration of the legacy benefit case load to UC poses a risk to collection rates.
- 2.8 Current poverty trackers confirm Barking & Dagenham to have the lowest (worst average rank) combining the 10 poverty indicators in the Greater London area.
- 2.9 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.
- 2.10 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 In light of these issues, the Cabinet considered a report at its meeting on 12 July 2022 on different options and models for the 2023/24 CTS scheme.
- 2.12 The options considered were as follows:
- (i) Maintain the 2022/23 scheme for 2023/24
 - (ii) Maintain the 2022/23 scheme with changes to the % minimum payment

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

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

(iii) Implementation of a completely new 'Banded' CTS scheme

- 2.13 The Cabinet supported option (ii) and, in doing so, assessed three different models:
- 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%
- 2.14 Model 1 was held to provide additional support for low-income residents of the borough but retained a minimum payment amount that could be considered too high against the socio-economic demographics of the borough.
- 2.15 Model 2 was 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 would 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 was balanced against the financial cost to the Council.
- 2.16 Although Model 3 provided the highest relief, it was acknowledged that it had significant cost implications and financial impact for the Council for implementation in 2023/24.
- 2.17 The Cabinet supported Model 2 and noted that officers would progress the necessary public consultation in order for the Assembly to consider the revised scheme at this meeting.
- 2.18 The Cabinet also expressed its support for a fundamental review of the CTS scheme to be undertaken in preparation for the determination of the CTS scheme for 2024/25, with a view to providing a more transparent and simple approach, with predictable levels of support, via a new banded scheme. It was acknowledged that such a detailed review would have a lead-in time of approximately 18 months for evaluation, modelling and public consultation.
- 2.19 On 23 December 2022, notification was received from the Department for Levelling Up, Housing and Communities (DLUHC) of a £100m Council Tax Support Fund to provide additional support in 2023/24 to low-income households in receipt of CTS with their Council Tax payments. Barking and Dagenham has been allocated £405,573 grant funding.
- 2.20 The guidance issued by DLUHC is very prescriptive as to how the grant funding should be allocated, albeit that the grant is to be administered through the Council's discretionary powers. The guidance states that households in receipt of CTS should receive up to £25, although this sum may be lower depending on the total number of eligible households (or if the household's remaining liability after CTS is below £25). The additional support will be provided as a reduction on the bill and will not require an application to be made.

3. Options Appraisal

- 3.1 As referred to above, the Cabinet considered three main options for a revised or replacement CTS scheme.

- 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.
- 3.12 An options appraisal has not been considered in respect of the Council Tax Support Fund due to the prescriptive nature of the DLUHC guidance.

4. Consultation process and feedback

- 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.
- 4.2 A consultation on proposed changes to the CTS scheme was run between 5 September and 5 October 2022.
- 4.3 The survey was available and open to all Barking & Dagenham residents and stakeholders with an interest in the operation of the CTS scheme.
- 4.4 The consultation was promoted on the Citizens Alliance Network website alongside the main Council website. Social media was used to promote and advertise the consultation on Council Facebook and Twitter pages.
- 4.5 The consultation was also widely promoted with internal Council teams and was also directly promoted with key partner voluntary organisations. Outreach services were promoted and available at the Thames View and Marks Gate community HUBS to support residents with the completion of the survey. Notification letters for all current Housing Benefit and Council Tax Support claims were also inserted with paragraphs promoting the consultation.
- 4.6 A total of 87 residents and other organisations responded to the consultation survey. All responses were received through the online survey. Citizens Advice responded through a separate written response.
- 4.7 Attached at Appendix 1 is the 'Council Tax Support Scheme 2023/24 Consultation Report' which provides a detailed analysis of the responses to the consultation. As the report shows, a majority of those surveyed (59%) supported the proposed change to reduce the minimum payment within the Council Tax Support scheme to 15% (from 25%) of the Council Tax bill.

5. Financial Implication

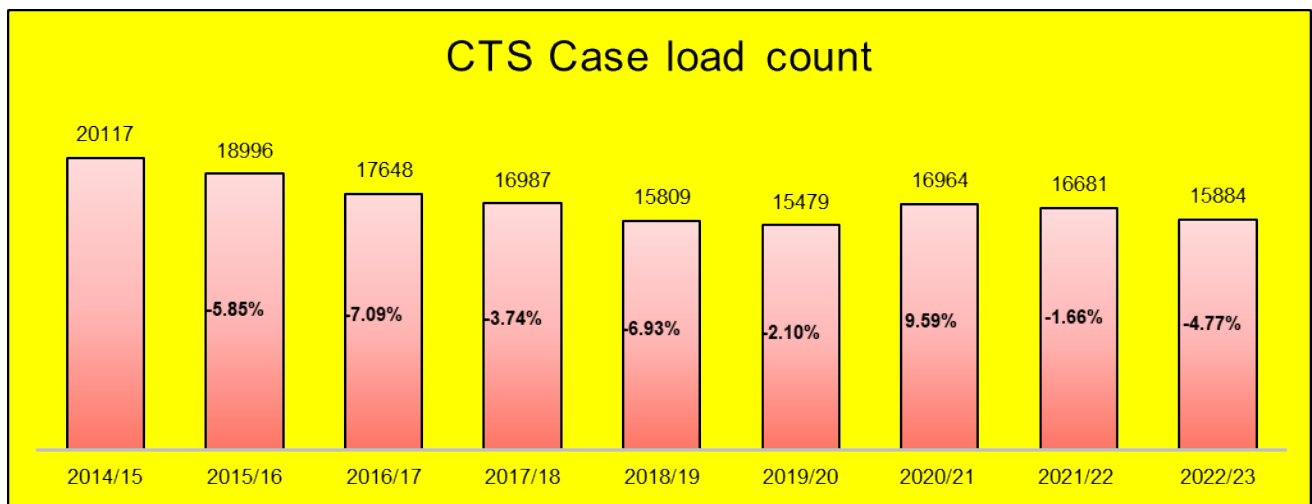
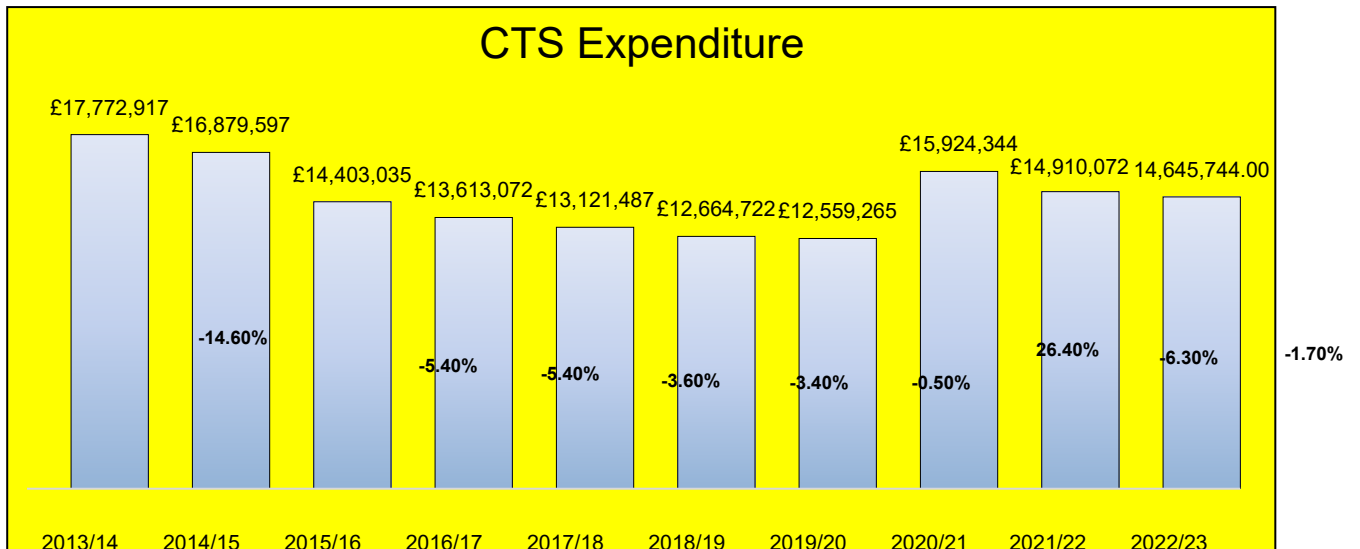
Implications completed by: Phillipa Farrell, Head of Service Finance

- 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. This would infer that poverty in the Borough is decreasing but this is not the case. The threshold has remained static since around 2014. It has not been updated to reflect the cost of

living. As part of the proposed changes the threshold will be altered to reflect the economic climate.

5.3 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% and a CTS case load increase of approximately 10%. This was due to people who were employment but lost that income during the pandemic.

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 case load has declined on average by -4.5% over the last 7 years (excluding 2020/21 – Impact of Covid-19). This average reduction in the case load (-4.5%) is costed at £424,152.22

5.7 The option that has been recommended is to initially reduce the minimum % to be applied in the CTS scheme. This will be an immediate response whilst a more fundamental redesign of the CTS scheme is undertaken. The financial implications

has focused on the initial reduction as the redesign work has not commenced at this point.

- 5.8 A reduction in the minimum payment amount will see a corresponding increase in case load as more households become eligible. This can be modelled as follows, based on the 2021/22 case load to determine possible increased expenditure.

	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 is likely to see the natural reduction in case load partially offset against an increase in case load from a change to the minimum payment amount. This cannot be accurately modelled.

- 5.10 The Council has chosen to reduce the contribution to 15% the cost of this is £1.2m to the Council.

Proposal Reduction:	Reduction to current level	Cost	LBBB Share 77.84%	GLA Share 22.16%	Community Solution Reserve Contribution	Pressure on Central Resource (Wider Organisational Impact)
Reduce to 15%	10%	£1,584k	£1,233k	£351k	£767k	£466k

- 5.11 The 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 this financial year but following consultation outcome an update will be taken to 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£767k within Community Solutions and a contribution from a central reserve (Welfare Reserve) of £466k, will fund the CTS scheme for 2023/24. Please note that the GLA will meet the GLA specific costs. This is a reserve amount and once used cannot be used again. Therefore, the ongoing impact would be a gap in the MTSF 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. Community Solutions has submitted a growth bid to the MTFS to deliver a banded CTS scheme from 2024/25. The growth bid is detailed below. This is approved subject to savings proposals being found to provide a balanced financial position.

Year	Proposal	LBBB Full cost Impact	Incremental Cost	Funding
2024/25	New Scheme	£2,072k	£2,072k	MTFS Growth Bid Approved pending savings proposals
2025/26	New Scheme	£2,575k	£503k	
2026/27	New Scheme	£3,093k	£518k	

5.17 The award of £405k from the Department for Levelling Up, Housing and Communities has no financial impact on the Council, as we are an intermediary passing the grant on to low-income households on CTS.

6. Legal Implications

Implications completed by: Dr. Paul Feild, Principal Standards & 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 5 and that paragraph 3 of the said Act.

6.2 This paper sets out the consultation and responses in the final decision-making process on the proposal to change the CTS scheme.

6.3 Since the introduction of CTS schemes there have been a number of legal challenges in relation to the consultation undertaken. Most of these challenges have been relation to the consultation undertaken in the sense of it being meaningful and to due regard to equality impact assessments. As determined by a Supreme Court ruling in 2014 R (Moseley) v London Borough of Haringey, consultation is critical when there is a possibility of an adverse outcome. However, with regard to the recommended proposal the outcome is to establish greater support for those eligible to CTS.

7. Other Issues

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 Impact Assessment of the proposed CTS scheme 2023/24 has been undertaken and is attached at Appendix 2.

Public Background Papers Used in the Preparation of the Report:

- [LBBD -Council Tax Support Scheme 2022-23.pdf](#)
- www.gov.uk/government/publications/council-tax-support-fund-guidance

List of appendices:

- **Appendix 1:** Council Tax Support scheme consultation – full report
- **Appendix 2:** Council Tax Support Scheme Review 2023/24 - Equality Impact Assessment (EIA)