



Council Tax Reduction Scheme Review

Scrutiny Panel Task and Finish Group

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1. Chair's Foreword

Hackney residents have suffered under austerity. Since 2010 the Council has lost £150 million or 41% of Government funding and vital services have been put at risk.

This challenging financial situation has made the budget scrutiny function an even more vital part of the scrutiny function as we challenge the Executive to deliver for residents.

Hackney, like other local authorities, has become increasingly reliant on other sources of revenue including council tax to fund vital services.

The devolution of responsibility for council tax support for our poorest residents to local authorities coupled with a reduction in the available level of funding put Hackney and other local authorities in the invidious position of collecting money from our poorest residents to pay for vital services.

Since the scheme was introduced there has been widespread concern about the burden of contributions to council tax on some of our most financially vulnerable households. This concern has been amplified by the current cost of living crisis.

The complex regulatory framework governing council tax schemes together with the broad discretion given to local authorities in administering it makes the workings of the scheme inaccessible to many residents and even to their advisors.

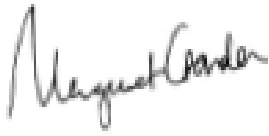
The Scrutiny Panel welcomed the Executive's aspirations to reduce contributions to 10% by 2024 and then to zero by 2030 but we wanted to interrogate the details of the scheme and how it would impact residents affected by the changes. This was the background to this scrutiny panel's task and finish group.

All councillors who were members of a scrutiny commission were given the opportunity to participate in the task group and the questioning at the sessions benefitted from having a broad range of councillors contributing their experience and expertise.

The task group was keen to compare Hackney's proposals with schemes operating in comparable local authorities and also to understand the impact of the scheme on residents so heard from researchers as well as from the local advice services. The group was also keen to understand the impact of the scheme on residents with protected characteristics. The work of the task group drew on previous investigations into the council's single equality duty and the poverty reduction strategic framework.

In producing this report and the recommendations I am grateful to all the members who participated in the groups: Councillor Clare Potter, Councillor Caroline Selman, Councillor Gilbert Smyth, Councillor Ian Rathbone, Councillor Kam Adams, Councillor Lynne Troughton,

Councillor Penny Wrout, Councillor Sophie Conway, Councillor Anya Sizer and Councillor Richard Lufkin, as well as the guests from Hackney and beyond who attended to give evidence as well as the always tireless support of Tracey Anderson and her team.

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

Councillor Margaret Gordon
Chair of Scrutiny Panel

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2. Introduction

The Task Group was formed following a commitment by the Directly Elected Mayor and Cabinet to review the rate of contribution for working age adults eligible for council tax support for their council tax bill. The Scrutiny Panel established the Council Tax Reduction Scheme (CTRS) Task and Finish Group to investigate the impact of CTRS on households in Hackney and the options open to the Council to achieve a zero minimum contribution CTRS model which ensures the lowest income households have nothing to pay.

The Task group looked at the design and impact of localised council tax support schemes in Hackney and elsewhere and considered proposals by Hackney to reduce the contributions paid by households eligible for Council tax reduction support to 10% by 2024 and to a zero minimum contribution by 2030.

Structure of the Task Group and Methodology

The Task group membership was open to all Councillors that were members of an Overview and Scrutiny Commission in the municipal year 2021/2022. This Task Group held 3 sessions between September 2021 - February 2022.

Over the 3 sessions the Task Group received a wide range of evidence from the contributors below

- Institute of Fiscal Studies (IFS)
- Child Poverty Action Group (CPAG)
- Citizen Advice Bureau (CAB Hackney)
- Deaf Plus
- Age UK (East London)
- London Borough of Lambeth
- London Borough of Camden
- London Borough of Hackney.

The documentary evidence covered the following areas.

- A national overview on the impact of council tax reduction schemes from the IFS and CPAG.
- Information from voluntary sector agencies about the impact in Hackney cases (pressures facing local residents), support and service they provide to local residents.
- Information from 2 London boroughs (with similar population demographics) about their CTRS model, use of hardship fund, cost and rationale for their scheme.
- London Borough of Hackney's CTRS model, hardship fund, case data, collection rates and enforcement action.
- Options for changes to Hackney's CTRS model and achieving a 0% scheme over the political term.

Aim of the Review

The purpose of the Task Group was to review the CTRS model in Hackney, the options and costs to the Council to reduce the liability of council tax contributions for relevant working age adults and the cost implications to implement a zero based CTRS model in Hackney.

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3. Changes to the Council Tax Benefit Scheme Across the UK

3.1 Background

3.1.1 Council Tax General

Council Tax was introduced by the Local Government Finance Act 1992 and all households became liable for council tax whether they were owned or rented properties. Properties were placed in bands for council tax purposes based on valuations dating back to 1991. The Council tax bill is based on 2 adults living together but if there is only 1 adult living in the household a single person discount can be applied to the council tax bill. The Council tax regulations have stipulated that some adults are exempt from being included in the calculations such as students, live in carers and the severely impaired.

Councils are required to review their council tax rates annually and can make annual changes to the rates. Councils providing social care, can increase their council tax rate by 4.99 in 2023-24 and 2024-25 without needing a referendum¹. If a council was to increase its council tax rate by more than the referendum limit (i.e.4.99% in 2023-24 and 2025-26), which is labelled an excessive increase; it must then hold a local referendum and obtain a 'yes' vote before implementing the increase. It must also make substitute calculations, based on a non-excessive council tax increase, which will then be implemented if the excessive increase is rejected in the referendum.

3.1.2 Support for low income households in paying council tax

When Council Tax was introduced, the Government set up the national Council Tax Benefit Scheme (CTB) for council tax benefit to be paid to qualifying claimants to cover the costs of their council tax liability. This was funded by Central Government but administered locally by Councils together with housing benefit schemes.

The Council Tax Benefit system (CTB) was a nationwide social security means tested benefit that provided support to low income households. The maximum award for CTB paid a household's full council tax liability. Families receiving a 'means tested' out of work benefits (income support, income based job seekers allowance, income based employment and support allowance (ESA) or pension credit guarantee credit) automatically qualified for the full CTB. This cohort of claimants represented 2 thirds of claimants (70% of the spending on CTB). Claimants with assets exceeding £6,000

¹ Referendum - a general vote by the electorate on a single political question that has been referred to them for a direct decision.

were entitled to less CTB and households with over £16,000 were not entitled to any CTB.

Claimants not automatically passported onto CTB would undergo a separate means testing. This compared the family income with a centrally determined measure of minimum need called the applicable amount. Factors influencing this depended on age, relationship status (single or a couple), number of children and disability. The CTB also contained a means test of assets (this was non housing and non pension assets).

3.1.3 Devolution of Council Tax Support to Local authorities

The Local Government Finance Act 2012 partly devolved the responsibility for determining eligibility for council tax support to local authorities. From 2013/14, local authorities have been required to publish a scheme setting out Council Tax Support in their area, detailing the classes of individuals eligible, the reductions they may receive, the procedures through which they can apply and an appeals process. Councils were given the flexibility to design a council tax support scheme to meet local needs.² Regulations state that councils must make deductions for certain classes of pensioners.³ A small proportion of households including (pensioners) were protected by legislation and Hackney Council has protected care leavers (up to 25) as part of its corporate parenting commitment.

The Government continued to provide grant funding to local authorities for council tax support but when the Government transferred the responsibility for designing the scheme to local authorities the funding for the scheme was cut by 10%. As a result many local authorities implemented council tax support schemes that were less generous than the CTB system it was replacing. The replacement scheme meant that some low income households were having to pay a contribution to their council tax for the first time. [Under Section 13A(c) of the Local Government and Finance Act 1991 a billing authority may reduce the council tax a person is liable to pay in respect of a chargeable dwelling in the borough. This power permits the reduction of liability to nil and can be reserved for specific groups defined by the local authority.

Since local CTRS schemes were introduced the economic and social environment has changed considerably.

² [House of Commons Briefing Paper Council Tax Reduction Schemes GB](#)

³ [Council Tax Reduction Schemes \(Prescribed Requirements\)\(England\) Regulations 2012](#)

4. Council Tax Support and Council Tax Reduction Schemes

4.1 Background

In April 2013 when the Government abolished the national Council Tax Benefit system (CTB) local authorities in England were charged with designing their own council tax support. These are known as Council Tax Reduction Schemes. Councils were [initially] given 90% of the budget the government spent previously for their area, with the discretion to spend more or less than the grant on their own CTRS.

Legislation provides that if councils do not make their own CTRS scheme a default scheme will apply the details of which are set out in regulations.⁴

The Government's default scheme is 95% and initially councils were given additional funding to set their minimum payment no higher than 8.5% as an incentive. Passing the responsibility to councils with a reduced budget of 10% to administer their own schemes has meant the councils have needed to design a scheme that did not produce a further financial burden. Thus many opted to have some level of contribution.

Since the initial incentive period ended many councils (90% of English councils)⁵ have made amendments to their CTRS since its implementation. The most popular change to CTRS has been to the minimum payment. The IFS and CPAG reported that since the introduction of minimum payments they have on average become larger with minimum payments in 2013/14 being on average 15%; by 2018/19 the most common contribution was reported to be 20%. The minimum payment localisation has created a large amount of variation in council tax entitlement that did not exist under the previous CTB. In London eight boroughs and the City of London had no minimum payment. This increased to nine boroughs and the City of London in 2019/20. By 2018/19 90% of English councils had made some changes to their CTRS for working age households. The most common widespread change was reported by the IFS to be the introduction of the minimum council tax payment, requiring all households to pay at least a certain proportion of the gross council tax bill. The requirement for households to a minimum contribution of the gross income has not been seen since the Poll Tax.

4.2 Council tax reduction schemes across London

Councils' council tax reduction schemes differ significantly and the contribution of a working age household to their council tax bill can be very different depending on where

⁴ [The Council Tax Reduction Schemes \(Default Scheme\) \(England\) Regulations 2012](#)

⁵ [IFS report \(page 45\)](#)

they live. The CPAG reported to the Task group the CTRS contribution percentages and exemptions for London as at 2018/19 (Figure 1)⁶.

Figure 1

Borough	Minimum payment 2018/19	Minimum payment 2019/20	Exemptions 2019/20
Barking and Dagenham	25%	25%	None
Barnet	20%	28%	War pensioners, war widow(er)s and Armed Forces Compensation Scheme
Bexley	20%	20%	None
Brent	20%	20%	Disability benefits, war disablement pension
Bromley	25%	25%	None
Camden	0	0	None
City of London	0	0	n/a
Croydon	15%	15%	Disability benefits, or income support and single parents with a child aged under five
Ealing	25%	25%	Disability benefits or a lone parent with a child aged under five pay reduced rate of 8.5%
Enfield	26.5%	26.5%	War widow(er)s, carers allowance, disability benefits
Greenwich	15%	15%	None

⁶ [CPAG Briefing Report](#)

Borough	Minimum payment 2018/19	Minimum payment 2019/20	Exemptions 2019/20
Hackney	17%	17%	None
Hammersmith and Fulham	0	0	n/a
Haringey	20%	20%	Disability benefits, families
Havering	15%	25%	Harrow 30% 30% Disability benefit recipients have a 14% minimum payment Disability benefit recipients have a 20% minimum payment
Hillingdon	25%	25%	War widow(er)s pension, war disablement pension, disability premium pay 10%
Hounslow	0	0	None
Islington	8.5%	8.5%	Disabled residents and carers get extra support but the amount they receive is still reduced by 8.5%
Kensington and Chelsea	0	0	n/a
Kingston upon Thames	0	0	Disability benefits and war widow(er)s

Borough	Minimum payment 2018/19	Minimum payment 2019/20	Exemptions 2019/20
Lambeth	20%	£5 per week	Disabled people, carers, war widow(er)s and those affected by the benefit cap
Lewisham	25%	25%	None
Merton	0	0	n/a
Newham	20%	10%	None
Redbridge	25%	25%	None
Richmond upon Thames	15%	0	Disability benefits and war widow(er)s
Southwark	15%	15%	None
Sutton	20%	20%	None
Tower Hamlets	0	0	n/a
Waltham Forest	24%	24%	None
Wandsworth	30%	30%	Disability benefits and families with children under three
Westminster	0	0	n/a

The default council tax support scheme is only legally binding for pension age residents, it does not apply to working age residents. That means that the policy decision by councils on whether to mirror the national benefit scheme for assessment is a choice made by local authorities, not a legal duty. The CTRS is a means tested benefit. The CTRS model is implemented by councils and the decision about the policy underpinning

the model is made by the council. The IFS has found that in policy terms the change has meant that 3.6 million working age households in England who would have been entitled to support under the old CTB system were now entitled to 24% less on average. A further 1.6 million households have been given a higher council tax bill than they might have otherwise received. It was pointed out that the higher tax bills were due to council's mirroring national benefit changes in council tax reduction schemes or additional cuts to CTRS by councils⁷.

The changes made by the Government to the national benefits system (freeze of working age benefit rates since April 2015, abolition of extra support for the third and subsequent child) can potentially reduce the amount the claimant can earn before their CTRS is withdrawn if the 2 child limit is applied to the council tax reduction scheme. Due to the cuts made households have had an even bigger bill than they would have had. It is reported that the savings for CTRS have come from low income households with the biggest percentage of the cuts impacting working age claimants with children. Although it is recognised that the counter argument from councils has been that it is administratively difficult and costly not to mirror the national benefit assessment in their CTRS.

Linked to the national benefit system changes CPAG reported that some councils had implemented the two child limit or applied the same universal credit needs assessment to their calculations for CTRS. It was noted that in London six boroughs and the City of London used the two-child limit to determine the entitlement of families under their council tax support schemes. One of these boroughs, Westminster, has dropped this policy for 2020/21. CPAG were urging councils not to implement the two child limit policy for CTRS models. CPAG emphasised that the policy is controversial. They highlighted that although this might seem like a small additional amount for the low income households this is not an insignificant amount and could be used to buy food, clothes, nappies etc for children. Applying this limit would result in a family of 2 on the same income as a family of 3 paying the same council tax liability despite having more expenses (3 or more children). CPAG were pleased that 77% of all councils in England (26 in London) did not use the two child limit when calculating council tax support for claimants. The Task group found it reassuring that the vast majority of councils were not mirroring this benefit change in their assessment and agreed that it should not be recommended in Hackney.

More worryingly the Task Group heard the pandemic provided households on benefit incomes with a temporary increase in Universal Credit payments per week. This has since been withdrawn. CPAG were expressing concern about the removal of the additional funding. They reported that the planned £20 cut to universal credit will lower the income of families whose only income is from benefits alongside households on

⁷ [IFS Report \(page 7\)](#)

modest earnings. Therefore, depending on the design of the CTRS, the amount of council tax certain households are expected to pay could increase.

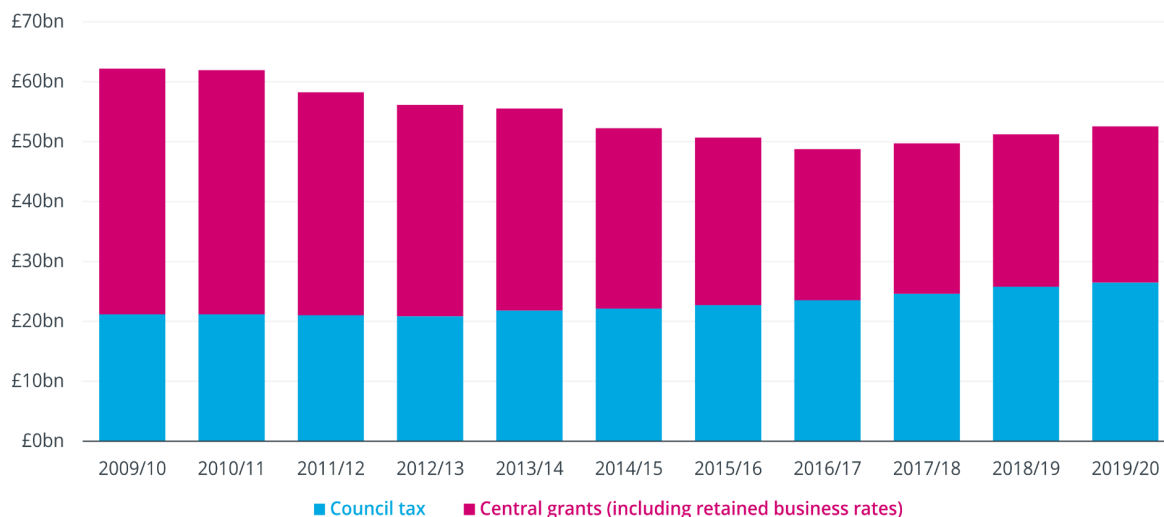
CPAG reported that although many councils in London have moved away from minimum payments – lowering them, removing them or increasing the number of exempted groups - a growing number of councils were considering the introduction of a banded CTRS model. The IFS has found that in policy terms reducing the minimum payment from 10% to zero would have a bigger effect in reducing the rate of arrears than reducing from 20% to 10%, because households still have a bill to pay that they might otherwise have not. This can prove critical because the revenue from Council Tax collections is expected to contribute significantly to the budget for councils. But over the years councils are becoming more reliant on council tax collection income to fund the Council's budget as the amount of government grant funding from central government has decreased steadily from 2010. As illustrated in the table below.

Figure 2 ⁸

⁸ Institute for Government - [Local Government Funding in England](#)

Local authority revenues by source (2019/20 prices)

IfG



Source: Institute for Government analysis of MHCLG, Local Authority Revenue expenditure and financing in England: individual local authority data - revenue outturn. Excludes grants for education services, police and public health. 2019/20 includes one month of emergency Covid-related funding (March 2020) which increased the proportion of funding from government grants. BY-NC

4.3 Council tax reduction scheme models

The Government's overhaul of the benefits system and implementation of Universal Credit (which has incorporated the payment of housing costs) has resulted in a reduction in the council's role in assessing and paying housing costs to residents. As historically claims for CTRS were assessed at the same time and by the same staff as claims for housing benefit this change has increased the administrative burden of assessing claims for CTRS on all councils.

The Task Group noted that previously the calculations for council tax support were linked to housing benefit and the council could obtain all the information they needed to make the assessment. With Universal Credit not linked to the traditional housing benefit system and many people in work on Universal Credit the council receives less information. Thus moving more and more people away from the traditional housing benefit system in addition to councils losing access to assessment information. Fundamentally with local authorities under continuing financial pressure, the costs of frequent revisions to the CTRS support and liability and reducing budget (due to the shift to universal credit) presents an administrative burden, particularly in relation to claimants who are on Universal Credit and those whose payments fluctuate from month to month. As a result, banded schemes for CTRS models are being viewed as advantageous to councils due to minimal recalculations and administrative simplicity, as well as meaning less changes, recalculations and notification for residents.

The Task Group learnt that many councils in London were increasingly adopting banded schemes. Although the CPAG did not advocate for banded schemes they did acknowledge that banded schemes helped families to budget and provided some element of reassurance if they are in the middle of the band. The CPAG pointed out

banded schemes did allow modest shifts in income without any need to recalculate entitlement and liability. But equally if the family's income is at the top of the band this creates a cliff edge with even a slight increase in income. In contrast having a gradual scheme meant that the amount of council tax liability will increase gradually with the income.

Recognising the continuing financial pressure CPAG acknowledged the costs of frequent revisions to the council tax liability presented an administrative burden. Having a banded scheme allowed for moderate shifts in income without the need to recalculate the entitlement and liability. It was clear that many councils had moved away from the government's default scheme.

4.4 Council tax support in Hackney

Local authorities were given a lot of autonomy when designing their local council tax reduction scheme. Hackney Council decided for Hackney's CTRS model it would spread the cost of the funding cut across all working age claimants.

Hackney's CTRS model operates using the taper income scheme at 20%. Hackney Council's CTRS was introduced in April 2013 with an 85% liability. That meant all residents contribute 15% to their overall council tax debt. The contribution was raised to 17% in 2018 and then reduced back to 15% in 2020.

Hackney's scheme has kept elements that other boroughs have excluded. Hackney's scheme is designed with regard to the needs of larger families. If elements of other boroughs' CTRS schemes were applied it would have a disproportionate impact on community groups like the Orthodox Jewish population in Hackney. The task group was pleased to note that despite the Government having the 2 child limit policy on benefits, Hackney has maintained the deductions for 3 or more children in the household. Therefore not penalising families with more than 2 children.

Hackney CTRS applies a set "earned income disregards" based on whether a claimant is single, a couple or a lone parent. An additional earnings disregard of £17.10 is paid if they work above 16 or 30 hours per week. We were told that most schemes have taken out this element due to the high cost of administering this benefit. We were told that many CTRS models exclude the additional earnings disregard on hours worked because of the increasing administration costs for those on universal credit.

We noted earlier that along with pensioners Hackney Council also protected care leavers (up to 25) as part of its corporate parenting commitment. Since the review the Council has agreed to award a 100% Council Tax exemption to foster carers paying Hackney Council Tax (who are residents in Hackney), effective from 1st April 2023; and has amended the Policy in relation to applications for Council Tax Reduction Scheme

under Section 13A of the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012, accordingly.

4.5 Council tax support in Lambeth and Camden boroughs

Hackney Council's ambition is to give low income households larger discounts to residents on their Council Tax bill. Despite having no extra financial support from the Government to do this the aim is to provide low-income households with a 90% discount on their Council Tax Bill by 2026 and to implement full discount (100%) by 2030. We wanted to understand how a zero CTRS model worked and explore the practicalities of a banded scheme. The Task group spoke to 2 local authorities (with similar population demographics) in London (Camden and Lambeth borough) about their CTRS models and they provided information about their CTRS model, costs, impact of the pandemic on collection rates and the use of their hardship fund.

Camden Council had originally implemented a 8.5% minimum contribution in 2013 but in 2017 they scrapped this and reinstated the 100% support for claimants. In April 2020 Camden implemented a banded scheme which has 5 bands. Camden's decision to move to a banded model for their CTRS was based on how expensive council tax support was costing to administer and the reduction in funding for the housing benefit service. All claimants in band 1 received 100% council tax support. Although the CPAG raised concerns about councils moving to banded schemes and the cliff edge; Camden's scheme was considered to be a good banded scheme because its bands were linked to the London Living Wage (LLW). The impact of Camden's scheme was that the majority of people earning less than the equivalent of eight hours at the London living wage did not have to pay at all.

Lambeth did not have a banded scheme but operated using the income taper. The income taper is used [so that contributions begin] above the government figure (the amount the government says a person needs to live on) towards their council tax bill. At the time of the evidence sessions Lambeth's Council's council tax support scheme was reduced to an 80% CTRS model. Lambeth residents were expected to pay 20% towards their overall council tax debt or a minimum payment of £5.00 to their council tax bill depending on their benefit entitlement. At the time of this Task group Lambeth were in the process of making changes that would see their income taper reduce to 20%, the scheme move to 100% and remove the minimum £5.00 payment.

Another key concern raised was the decision of some councils to include the 2 child limit to CTRS schemes. The Task group was pleased to note that none of the councils (Camden, Lambeth or Hackney) operated the 2 child limit to their CTRS. Camden's scheme provided higher discounts for families and disabled claimants. Lambeth had a family premium in place for their scheme. Hackney's scheme included a family premium and an extra amount of £68.60 for each child in the household regardless of household size making Hackney's scheme generous to working large families.

Both Lambeth and Camden had made changes to non-dependent deductions [which is another area of discretion for local authorities] Camden stopped non-dependent deductions for anyone under the age of 25 or who is earning less than £86.80 per week. The aim of this change was to encourage people aged 18 - 24 into employment and this also helped to reduce the administrative burden associated with this cohort, decreasing the amount of work and letters sent chasing young adults for details. Whereas Lambeth was proposing to remove the mandatory minimum non dependant deduction for a household with a disabled person. Hackney's scheme does have non dependent deductions. Entitlement is reduced by set deductions where non dependents (Adults friends and family members) live in the household. Hackney's scheme uses the non-dependent deductions specified in the government default scheme, based on the non-dependant's gross income with protections for disabled households.

Another change to Camden's CTRS model was the length of time for backdated payments. Under the old benefit rules they could only backdate for one calendar month. This has been changed to back date to the start of a universal credit claim or other benefit income (ESA, income support). This is because people are often not aware that they have to make a separate claim for council tax support. Previously when you received housing support you automatically received council tax support.

The Task Group noted that the calculations for CTRS payments and explanations about council tax reductions were viewed as very complicated. When designing a CTRS scheme we learned the CTRS is not just about the minimum contributions, but there are complex variations involved in making a council tax support assessment regarding levels of applicable amounts, premiums, income tapers, earnings disregards, non dependent deductions, capital and savings limits, minimum entitlements, and minimum income floors to be taken into consideration. A key criticism made about council tax support was the complexity of schemes and many residents not being familiar with their scheme. It was this complexity that Camden tried to avoid by taking the decisions to move to a banded scheme. Camden now uses the monthly Universal Credit notification about income to process payments automatically. Camden is no longer needing to write to people asking for this information. Making the scheme cheaper to administer. Camden highlighted that as a result of these changes (being based on household circumstances) the council tax support system was getting more costly to administer. Meaning that any change in income of a plus or minus 50p resulted in a CTR calculation. This also meant it is very difficult to explain to someone how their council tax reduction was calculated. Camden's rationale for moving to a banded scheme was to make the scheme less complicated. In addition frontline staff had found it easier too and could quickly take an overview of the circumstances and outline an award when they received queries about council tax reduction payments. Camden has not received any complaints since the scheme was introduced in April 2020 despite about 15% of claimants being slightly worse-off on the new scheme.

The Task Group was pleased that the Council has included the exemption of care leavers (up to the age of 25) although the Task Group was concerned about care leavers living outside of the borough. We learnt that the CTRS scheme was only applicable to residents living in the borough and even if a care leaver is still under Hackney's corporate parent responsibility they could not receive council tax support payments for Hackney Council. The care leaver is subject to the CTRS scheme in the borough they live in. Any contribution or support to the care leavers (up to the age of 25) council tax bill would have to come from children's social care services. The Task Group was of the view it was important that care leavers opting to leave the borough were given information about the council tax support available to them in the borough they were choosing to reside in. The Task Group wanted to ensure the Council was supporting care leavers to fully understand the implications of living out of the borough on their council tax bill (not being able to access council tax support from Hackney) and the possible council tax liability they could face.

Initially the zero based CTRS models used in other Boroughs appear to be more generous than Hackney's scheme and that Hackney's scheme was less beneficial to our residents. But on closer examination in the evidence sessions it became clear to the Task Group that it was not just about the minimum contributions, but there are complex variations that fed into the assessment process for a CTRS claim. It became evident that Hackney's CTRS scheme was designed with the local population with the most vulnerable residents in mind as referenced in the Equality Impact Assessment⁹ for the Review of Council Tax Reduction Scheme 2018-20 report¹⁰ to Hackney's Full Council. But we do acknowledge that under Lambeth's scheme single claimants (including the disabled) would be better off due to no minimum contribution.

4.6 How the council tax reduction scheme models compare

Main features of Hackney's scheme are:

- A minimum contribution for all working age claimants of 15%. This means all claimants have to pay at least 15% of their Council Tax regardless of income
- The scheme is a taper scheme, with a 20% taper. *As a claimants income increases above their applicable amount, entitlement reduces by 20p for every extra pound they earn.*
- The scheme applies set "earned income disregards" based on whether a claimant is single, a couple or a lone parent, and additional earnings disregards of £17.10 if they work above 16 or 30 hours per week.
- The scheme applies, non dependent Deductions. *Entitlement is reduced by set deductions where non dependents (Adults friends and family members) live in the household. Our scheme uses the Non Dependent deductions specified in the*

⁹ London Borough of Hackney - [Review of Council Tax Reduction Scheme 2018-20 Report \(Appendix 3 page 109\)](#)

¹⁰ London Borough of Hackney - [Review of Council Tax Reduction Scheme 2018-20 Report \(Page 55\)](#)

government default scheme, based on the non dependants gross income with protections for disabled households.

- A savings and capital limit of £16,000. Singles and couples with over £16,000 in savings do not qualify.
- There is no minimum entitlement. *If a claimant is entitled to 0.01p in Council Tax Reduction it will be credited to their billing account.*
- No minimum income floor - Hackney *does not apply an assumed income where self employed claimants are earning below minimum wage. If the business is losing money - we will assess the claim on a nil income.*
- Family premium still in place
- No 2 child restrictions in place.

Main features of Camden's scheme are:

- Have a banded scheme based on the London Living Wage (earnings below 8 hours @ LLW)
- This is applicable to working age applicants only. (Pensioners remain on the default scheme)
- High discounts are given for families and disabled claimants
- No non dependent deductions for any non dependants aged under25 or if the non dependent has earnings less than £86.80 pw.
- Child care costs are disregarded
- Capital / savings must be below £16,000
- Backdating to the start of universal credit.

Main features of Lambeth's scheme are:

- 20% liability reduction
- £10,000 upper capital limit
- 25% income taper
- £5 minimum payment
- Changes to non dependent deductions
- 13 week backdating still available
- Family premium still in place
- No 2 child restrictions in place.

Lambeth were in the process of proposing and consulting on changes to their CTRS.

The new scheme would have the following changes:

- 100% and no minimum payment for all claimants who receive 80% council tax support.
- Removal of the mandatory minimum non dependant deduction for a household with a disabled person.
- Reduced the excess income taper to 20%.

At first glance Lambeth's scheme appears more generous to our residents due to no minimum contributions. But it was pointed out that the changes to points 2-5 simply

bring Lambeth in line with Hackney's scheme because it was reported that originally Lambeth's scheme was less generous than Hackney's.

1. Remove the 20% minimum contributions
2. Remove the £5.00 minimum weekly payment
3. Remove non-dependant deductions for people receiving disability benefits/blind
4. Remove non-dependant deductions for certain types of non dependant (students, PB etc.)
5. Reduce the excess income taper to 20% from 25%.

While the impact of slightly different Applicable Amounts is fairly low in Lambeth - it would have a huge and disproportionate impact on particular communities in Hackney - especially among Orthodox Jewish, and Muslim claimants.

However it was acknowledged that under Lambeth's scheme single claimants and those not in work including the disabled due to no minimum contributions would be better off whereas large working families would lose out.

Taking our neighbours Tower Hamlets scheme at first glance they have no minimum contributions, but have:

- Lower capital thresholds at £6,000 compared to £16,000 in Hackney
- Less generous non dependent deductions where all income is taken into account
- A minimum earnings floor equal to 35 hours at the national minimum wage is applied to applicants of residents who have been self-employed.

Hackney reported that ONS annual population survey shows Hackney has 9.8% of its population in self employed work, compared to only 6.8% in Tower Hamlets, meaning a similar minimum income floor in Hackney would have a much greater impact due to our numbers of residents in low paid self employed work.

For the Task group it became evident that Hackney's CTRS scheme was designed with the local population with the most vulnerable residents in mind. But for CTRS schemes it was also evident that they could not meet the needs of all residents and that there would be winners or losers and even with no minimum contribution some claimants will be worse off than others.

4.7 Claimants

The CPAG reported that CTRS claimant numbers in London had been falling steadily and in 2017/18 it fell from 640,664 to 601,736 in 2018/19. Although the trend has shown that working age council tax support claimants has remained stable at about 67% over a 3 year period¹¹. There is no definitive evidence to suggest the reduction has been linked to claimants being in work or if it is just a symptom of council tax support being cut.

¹¹ [CPAG Briefing Report](#)

As at September 2021 Camden's total caseload was reported to be 23209 of which 6841 were pensioners and 16368 were working age claimants. The cyber attack in Hackney has hindered the council's ability to provide accurate data about caseloads. In Hackney taking the latest data available at the time (March 2020) there were 35254 total CTRS caseload of which 9570 were pensioners and 25684 were working age claimants. Of the working age claimants there were 2320 cases where no payment for CTRS was made.

Hackney reported having the largest working age households caseload in London. A short comparison of caseloads with 6 other London boroughs highlighted that Hackney had a high level of applicants for council tax support which reflects the deprivation levels in the borough.

- Bexley has a caseload 14,118 of which 9,616 are working age
- Richmond has a caseload of 8,676 of which 5,601 are working age
- Wandsworth has a caseload of 15,191 of which 9,650 are working age.
- Camden with a total CTRS caseload of 22,836,
- Islington with a total CTRS caseload of 25,823,
- Southwark with a total CTRS caseload of 25,412
- Hackney with a total CTRS caseload of 28,951 of which 20,553 were working age.

Although Camden and Lambeth have implemented a zero contribution CTRS model the notable difference between their caseloads and Hackney's was the volume of recipients for council tax support. Particularly the working age group. Hackney was reported to have the largest number of in-work working age adults on a low income and a higher proportion of self-employed residents (9.8%). For Hackney the mean age of applicants was reported to be approximately 54. By far the largest claimant group in Hackney are single households at around 43%. Single parent households were the second largest CTRS group at around 18% of all CTRS claimants. The mean vulnerability Score of 2.6 for CTRS accounts in Hackney is more than double the average vulnerability score of all households in the dataset (1.2) and 23.2% of CTRS accounts scored 4 or higher.

4.8 Costs of council tax reduction schemes

4.8.1 Background

How local government is funded in England

As indicated above the income from council tax has become a more prominent feature in the income stream for council budgets. Local authorities have three main sources of revenue:

- government grants – money from central government for local services
- council tax – a property tax levied on residential properties
- business rates – a property tax levied on business premises.

Local governments in England have very limited revenue-raising powers compared to other wealthy countries. In the UK councils are required to set a balanced budget each year and unlike central government, local authorities cannot borrow to finance day-to-day spending. However councils can draw down reserves – money built up by underspending in earlier years – to ensure that their annual spending does not exceed their annual revenue. But reserves can only be used once. Once reserves are spent, they cannot be spent again.¹²

There has been a significant cut in local authorities' spending power (the Government's measure of Local Government resources) in real-terms between 2010/11 and 2023-24. In addition, the changes made in the 2011 Localism Act, has meant that local authorities have not been able to raise council tax rates by more than a defined percentage over the previous year without needing to call a local referendum to vote on the increase. This percentage has varied from year to year but for 2023-24 (and 2024-25) an increase of 4.99% or less will not trigger a referendum in a London Borough.¹³ In essence all local authorities have had to find ways to do more with less in the face of cuts to their spending power. But the impact of the cut has varied across different types of local authorities. Covid further exacerbated the pressure of these cuts on council budgets.

The Government's comprehensive spending reviews and Autumn Statements set out the total funding for local government. The 2023/24 local government finance settlement set out the distribution of that funding in 2023/24, but there still remains uncertainty about the distribution of local government funding in 2024-25 and significant uncertainty beyond this.

The cost of local council tax reduction schemes

Although all councils received a cut to funding to the overall budget of 10% when the responsibility was transferred to councils. It was reported that for some areas received a larger decrease due to the protections on pensioners groups. When the CTRS was introduced Hackney Council's initial shortfall in funding for the council tax support scheme was £3.2 million.

The IFS has found that although councils have no constraints with how they can allocate council tax support funding they have found that the decision making by councils has been linked to the labelling of the funding. It was important for the Task Group to understand if ring fencing was influencing CTRS model funding decisions. We asked about the costs of CTRS models to get a sense of spend for the different schemes. Both Camden and Lambeth had made changes to their scheme with the expectation of achieving savings. Although the cost savings were not evident at the time of this review Camden were hoping that when COVID became less prevalent,

¹² Institute for Government - [Local Government Funding in England](#)

¹³ Institute for Government - [Local Government Funding in England](#)

they would see savings in administration costs. The current cost of Camden's scheme in 2021/22 was just under £30 million. From 2019/20 to 2021/22 the cost had increased from £25,597,255 to £29,530,714. During covid Camden had found that the number of claimants increased dramatically and continued to rise. After the economy opened back up Camden had hoped to see a reduction in council tax support claimants but they had not seen the large numbers returning to work as expected. Although there has been an increase in council tax debt, on the whole many residents were managing to make their payments. Camden has attributed this to the fact that a larger number are in receipt of 100% support.

Lambeth has a zero contribution scheme and their scheme costs £21 million. Lambeth explained that removing the minimum contribution to zero will have financial implications for the council and that the changes will cost them around £3 million pounds a year if they decide to implement all the proposed changes. In addition to producing a sizable reduction in their council tax receipts.

The cost of the current CTRS model in 2024-25 is anticipated to be £33m. But if the Council was to introduce a zero CTRS model for budget year 2024/25 this would cost an estimated £37 million (an additional £4 million per annum). This additional cost is an estimate before any future council tax increases are applied. Therefore over a 5 year period the recurrent budget gap of £4 million would result in a loss of council tax income in the region of £20 million. Whereas, if the council adopted a phased approach towards implementing a zero CTRS model by reducing the contribution to 10% first the impact will not be as harsh to the council's budget. Taking this phased approach would mean after applying the assumed council tax increase of 4.99% in 2023-24, then applying the 10% claimant contribution in 2024-25 the cost to the council's budget would be £1.4 million a year per annum. If the Council then moves to a zero minimum claimant contribution in 2028-29 (again allowing a 2% council tax increase in each year after 2023-24), this would cost a further £3.m a year per annum. Therefore the cost of moving to a 10% contribution rate in 2023/24 and then full removal in 2028/29 would be a total cost of £19.1m over the period 2023-24 to 2030-31. It was noted that the implementation of the changes to the CTRS model would be subject to the council tax system being fully operational and the claimant backlog cleared.

The Task Group noted for Hackney the current CTRS operating costs (using its current liability scheme) was significantly higher than Lambeth and Camden's costs. Given the cost implications to increase Hackney council tax support scheme to zero, the council has proposed adopting a phased approach towards implementing a zero CTRS model. Making changes to a CTRS model requires a statutory consultation with residents and would incur additional costs associated with the consultation process. Therefore it would be prudent to make changes in as few stages as possible. Hackney council proposed making the changes to the council tax support scheme in 2 phases.

The Task Group heard about the importance of getting the consultation and change process right if a council was making changes to their CTRS. Councils needed to ensure the change process and consultation was robust and their level of consultation was adequate to successfully make changes to the CTRS. We learnt that inadequate consultations on changes to the council tax support scheme could be legally challenged. Lambeth highlighted a council had its consultation process for CTRS challenged in the courts. At the time of the review Lambeth were going through their consultation process and were anticipating that the public consultation about the changes would have a positive outcome. Lambeth was conscious that managing the views of people for and against the zero contribution will be key in the consultation phase because they recognised some residents would be against the principle of people not having to pay council tax while others do pay.

4.9 Collection rates

Since the changes to council tax support were introduced the state of the economy has changed significantly and the pandemic has magnified the systemic inequality challenges. The task group noted that the IFS has found that in policy terms reducing the minimum payment from 10% to zero would have a bigger effect in reducing the rate of arrears than reducing from 20% to 10%, because households still have a bill to pay that they might otherwise have not. This can prove critical because the revenue from Council Tax collections is expected to contribute significantly to the budget for councils.

Lambeth reported seeing a reduction in their collection rates by 3% and suspected other boroughs were experiencing this too. Camden reported a drop in their collection rates too from 95% in 2019/20 to 91% in 2020/21.

The cyber attack in Hackney (October 2020) significantly hampered the Task groups ability to review the latest collection rate data and also impacted on the Council's ability to process council tax support claims. From the data available we were told Hackney's CTRS collection rate was 86.09% in 2018/19. This had decreased from 86.6% in 2017/18. The overall collection rate in 2018/19 was 95.02%. For 2019/20 the CTRS collection rate was 84.89% and the overall collection rate was 87.7%. The most up to date data for the volume of CTRS caseloads with summons issued was not available. But a review of the council tax base is seeing a decline year on year of summons issued from 2017/2018 - 2019/2020. In terms of enforcement from the data covering November 2018 - January 2019 to November 2019 to January 2020 summonses dropped from 947 to 674. Enforcement agent referrals dropped from 1,876 to 1,345.

Figure 2

	2017 / 18	2018 / 19	2019 / 20

Summons issued	19,048	17,143	16,093
Liability Orders granted	16,121	14,894	13,996
Enforcement Agent cases	12,031	10,396	11,476
Council tax caseload	113,864	115,297	116,514

Hackney Council established (within the Council Tax Team) a team called 'Stop The Knock Team'. The objective of this team was to prevent residents falling into debt and potentially being subject to enforcement action and the associated costs. The team provided residents with welfare advice and referred residents to specialist support to set up affordable payment arrangements. From the work by the Stop The Knock Team during April 2019 to January 2020 the team reviewed 10,839 cases and from contact with 5,963 residents 2,662 affordable arrangements were established with residents.

Collection Rates at January 2022

Council Tax reduction	Council Tax Due	CTRS awarded	Payments received	Collection rate
Up to 50%	£6,570,889	£1,676,259	£4,569,198	93.35%
50% to 85%	£21,153,701	£16,446,673	£4,616,218	97.07%

It would appear that a large proportion of households on low income and in receipt of CTRS (despite being financially challenged) pay their council liability. But the Task group questioned how much merit there was in chasing people on low incomes for payments as they were struggling to pay especially if they have been awarded a hardship payment.

4.10 The Hardship Fund

The Local Government Finance Act 2012 introduced the provision that allowed councils to administer an additional discretionary reduction to the council tax. As a result many councils set up a discretionary hardship fund. The aim of this scheme was to provide some offset to the most severe hardship caused to residents by the introduction of council tax reduction where working age households had to pay a minimum contribution

towards their tax liability. The hardship fund is not a long term solution to financial hardship and councils expressed that this should be viewed as a short term relief to financial pressure.

While councils could design their own scheme generally the key main principles guiding a scheme are:

- The applicant should be in receipt of Council Tax Reduction.
- The applicant or household should be facing financial hardship.
- Any awards of Council Tax Hardship Payments would be discretionary and applicants do not have a statutory right to a payment.
- Any awards would be one off short-term help to the applicant and not seen as an ongoing solution to debt problems.
- The Council Tax Discretionary Fund would be cash limited, and once spent no more awards could be made.
- Councils can not make cash awards, only credit the council tax account.

CPAG looked at council's use of hardship funds and found that many were underspent. The criteria and communications about the availability of the fund varied. They reported that many people who were in arrears did not qualify for support. It was their view that if the hardship fund criteria was more open, eligibility widened alongside better communications the funding pots would not be underspent.

CPAG reported to the Task group in 2018/19, nine boroughs had a hardship fund specifically for council tax support claimants in arrears, up from five boroughs in 2017/18. In their view, this was a positive step.

Borough	Budget	Expenditure	Successful Applications	Changes from 2017/18
Barking and Dagenham NEW	£50,000	£50,000	70	New hardship fund in 2018/19
Ealing	£150,000	£185,783	498	Spent less and had fewer successful applicants in 2018/19
Enfield NEW	£250,000	£227,801.10	965	New hardship fund in 2018/19
Hackney	£100,000	£ 7802.80	55	Spent more and had more successful applicants in 2018/19

Borough	Budget	Expenditure	Successful Applications	Changes from 2017/18
Islington	£125,000	£10,000	67	Had a bigger budget, spent the same and had same number of successful applicants in 2018/19
Lambeth NEW	£400,000	£16,073.35	63	Had a specific budget in 2018/19, spent much less and had fewer successful applicants
Redbridge NEW	£300,000	£151,298	253	Had a specific budget in 2018/19, spent the same and had fewer successful applicants
Sutton	£50,000	£46,158	202	Spent more and had more successful applicants in 2018/19
Waltham Forest	£750,000	Not held	Not held	Had the same budget in 2018/19

Source CPAG Briefing Report

In addition, four boroughs and the City of London reported that they made discretionary payments to council tax support claimants under section 13A of the Local Government Finance Act 1992, or they found funds from elsewhere. Bexley also reported that it used section 17 of the Children Act 1989 to support families.

Borough	Expenditure	Number of awards made
Barnet	£112,996.27	221
City of London	£2326.63	2
Croydon	£20,259.13	26
Havering	£32,640	58
Tower Hamlets	£45,100.85	109

CPAG reported two factors have led to the underspending of hardship funds:

- Hardship funds are rarely actively promoted to claimants in arrears.

- Strict eligibility criteria usually apply, meaning that many claimant applications are unsuccessful.

The Task Group queried the discretionary spend by Camden, Lambeth and Hackney councils. The Task Group noted although Camden's council tax collection department has access to a hardship fund it is not a fund the Council has a specific budget for. But Camden does award hardship payments and write off council tax if it's appropriate.

Lambeth wanted to support its residents until they made changes to their CTRS model. Lambeth were in the process of changing their minimum contribution from 20% to zero for claimants receiving the 80% council tax support. Recognising the cumulative impact of tax rises on the lowest income households during the height of the economic crisis; Lambeth made the decision to use their covid support grant and hardship fund to cover the 20% liability for all claimants in receipt of council tax support of 80%. Moving their residents from 20% to 0% liability.

Hackney introduced their council tax reduction discretionary hardship scheme in April 2013. In Hackney the budget for the discretionary hardship fund is usually £100,000 pa. Only people on CTRS can get support from the hardship fund. This funding pot is not sufficient to cover all households in receipt of full council tax support. The council pointed out that for many of these households even a successful one off hardship award would not resolve their underlying poverty challenges, lack of income caused by welfare reform and high housing costs.

In late March 2020 Hackney received an additional £4.6 million from the Government Council Tax Covid 19 Hardship Funding. From this extra funding the council paid £150 to all CTRS working age claimants council tax accounts in 2020/21. Additional funding was applied to the Discretionary Council Tax Hardship Scheme of £300,000 for Council tax arrears in 2020/21 and 2021/22. Hackney used £100,000 to support families with no recourse to public funds (NRPF). Added an extra £500,000 into the Hackney Discretionary Crisis Support Scheme and as part of the Covid 19 response a further payment of £60.00 was made towards Council tax for all working age CTRS claimants in 2021/22.

Hackney advised that in April 2020 the scope of the Council Tax Discretionary Hardship Scheme was widened significantly. This was to reflect the financial impact of Covid on residents, and a recognition that demand on the existing discretionary scheme was low. Despite an expanded criterion, and a new online application, the demand and spend has remained limited. This was further compounded by the cyber attack in October 2020. The attack impacted on the Council's ability to identify residents needing further support. This also created a backlog of applications to the Discretionary Council tax hardship scheme. The number of applications by vulnerable residents have been hindered due to Covid and lockdowns, leaving many unable to make applications or submit supporting evidence because they needed assistance.

Figure 3

Month	Number of Successful Applications	Number of Refused Applications	Amount Spent	Normal Budget Remaining £100,000	Reason for Spend
April 2020	7	9	£1,326.57	£98,673.43	Financial difficulties
May 2020	8	3	£1014.49	£97,658.94	Financial difficulties
June 2020	0	1	£0.00	£97,658.94	N/A
July 2020	0	0	£0.00	£97,658.94	N/A
August 2020	2	11	£417.55	£97,241.39	Financial Difficulties
September 2020 Financial Difficulties	16	47	£2408.57	£94832.82	Financial Difficulties
October 2020 (Part)	1	0	£53.07	£94779.75	Financial Difficulties
Total	34	71	£5,220.25	£94779.75	

The council was scheduled to launch a campaign to those in hardship and the team was planning to identify vulnerable residents that would benefit from support to ensure the fund was fully spent by the end of the 2020/21 financial year. But the cyber attack thwarted the plans. This campaign was primed to look beyond just those with the largest arrears and consider if any particular groups should be prioritised when inviting applications to the Ctax Discretionary Hardship scheme e.g large families, families with young children, the disabled, carers, pensioners etc.

It is clear to the Task Group that although this fund exists it was a short term relief for households struggling to meet the cost of this bill each year or facing financial hardship. After the extra funding has been spent the budget will return to its original amount of £100,000 per annum. This budget can not support all households who due to poverty, simply cannot afford to pay their Council Tax. We heard that the council is doing a wider

piece of work with these households to maximise their income and employment opportunities. Nevertheless the Task Group was of the view the fund needed to be better promoted to residents and the criteria published. This was an area that could be better promoted by the voluntary sector with continued support from the council to increase applications to the fund. Alongside this the Task Group wanted to see a focus on monitoring the uptake and demographic makeup of applications to the discretionary hardship fund compared to successful applications. The Task Group would encourage regular reviews periodically for accountability of the fund spend to ensure the fund is accessible to all vulnerable residents in need.

Since the review the Task group heard that the council established a Money Hub. The money hub aimed to increase benefits take-up and connect residents with other financial support, including providing housing navigation support and signposting to debt advice. 1300 residents had requested support in the first seven weeks since the Money Hub launched.

The Task Group was concerned about the low level of spend for Hackney's hardship fund but recognised the limitations of the council to accurately assess caseloads following the cyber attack. It was somewhat reassuring to note that at the end of the recovery process Hackney's Revenues team can end up writing off Council Tax debt. But the Task group questioned the merit and cost benefits of chasing people for payments on low income who were struggling to pay, especially if they have been awarded a hardship payment.

5. The Impact on Hackney residents (local view)

The IFS reported if councils make cuts to council tax support this would lead to a sizeable increase in uncollected council tax. They added that a fifth of councils had no minimum payment and another fifth had a minimum payment of over 20%. Hackney was reported to be at the bottom half of the table in regards to contributions. We spoke to local advice service providers covering different cohorts of residents to get an idea of the impact council liability was having on the working age population in Hackney.

We spoke to three local voluntary sector organisations funded by the Councils grant programmes.

- Citizen Advice Bureau (Hackney) - The Citizens Advice Bureau is one of the largest free advice service providers in London and Hackney. The CAB provides free advice, information and advocacy covering welfare benefits. Housing, debt. Money management, employment, immigration, consumer and family and personal issues.
- Deaf Plus - funded to provide advice in Hackney
- Age UK (East London) - Age UK primarily supports people over 50.

They provided information about their support services, number of cases and their analysis of the impact since CTRS was introduced. We also asked for their views about what councils should consider.

The Citizens Advice Bureau is one of the largest free advice service providers in London and Hackney. The CAB provides free advice, information and advocacy covering welfare benefits, housing, debt, money management, employment, immigration, consumer and family and personal issues.

The CAB reported the number of cases related to council tax support was not as high as previous years. But in general 15% of debt cases have a council tax element to them. The volume of cases increased when council tax benefits ceased. But during the pandemic the numbers supported were well below the previous year where they supported over 300 residents. In recent years the CAB helped to manage the arrears of:

- 96 residents in 20/21
- 26 residents in 21/22.

In relation to the council tax support scheme the CAB reported there was a lack of knowledge about all the benefit schemes and a general lack of awareness that the system for UC is separate and not automatically linked to council tax support as it used to be under the old CTB system. During 2018/19 CAB were taking direct referrals from Hackney's Council Tax Department in a pilot to support residents before action was taken by the council. CAB was doing financial statements with them and negotiating directly with the council. The CAB was very positive about this pilot and highlighted that the council would then be able to write off debts where people had no recourse to public funds and/or were destitute. This pilot established an easier process to provide evidence and the CAB welcomed the direct communication with the council.

Compared with all debt issues in relation to Council Tax arrears CAB reported for Hackney there has been an increase of over 9% in female residents, and a 14% increase in black and ethnic minority residents needing help and support. But single people and single parents with dependent children made up the majority of residents seeking support for council tax arrears.

It was the view of CAB from their work in Hackney that with the furlough scheme, help for the self employed and the Universal Credit uplift all coming to an end, Hackney residents will be under intense financial pressure. The subsequent increases in energy and food bills and the impact of the cyber attack (as demands for housing benefit overpayments become due) will present very challenging times for residents across the borough. The CAB was advocating for clear communications, easier pathways to resolve disputes or challenge liability for debts would be vital. From their work clients were scared of big red letters and often ignored attempts to engage them before it reached the summons stage. Residents were coming to them very late often at the court stage when additional costs had been added. The CAB would urge the council to deploy initiatives (like the pilot) to get residents engaged before this point.

The majority of clients Deaf Plus support have some sort of disability and complex needs. Most are low-income families relying on benefits. In relation to council tax arrears this is often part of their complex problems. For Hackney Deaf Plus had an increase in people falling into debt during COVID-19. Deaf Plus urged the council to consider that if a person is on disability living allowance, or their child(ren) is on a disability living allowance or on personal independence payments this income should not be included in the assessment because that money is needed to cover the additional costs they incur as a disabled person or child.

Deaf Plus also reported seeing an increase in domestic abuse cases. Deaf Plus wanted the council to take into consideration that when a person is in this situation and becomes a single parent they are likely to be in debt, have no income, and require support to register for Universal Credit.

Deaf Plus highlighted progressing a case to court incurred additional charges to the debt councils are trying to collect. Deaf Plus pointed out they have a dedicated advice project in Tower Hamlets dealing with council tax arrears.

Age UK delivers advice and advocacy services in Hackney borough and across east London. The recent cyber attack had led to an increasing number approaching them for help with housing benefit and council tax support. Their support to clients encompassed benefit checks and income maximisation. Due to an extensive partnership with Hackney they have seen approximately 50% of their total referrals account for Hackney during the pandemic. Age UK accepted 1000 advice referrals and 100 advocacy referrals a year.

For Age UK ensuring pensioners were accessing pension credits was a vital level of support and would lead to exemption from paying council tax as well some other types of disability benefits. They expressed it was key to ensure that all vulnerable pensioners were claiming the benefits that they are entitled to, which could then lead to them getting an exemption. It was estimated 4500 households in Hackney could be claiming pension credit.

Constituency	Number of households receiving Pension Credit	Average Weekly award	Estimated number of Households entitled but not receiving	Estimated figure of unclaimed pension credit
Bethnal Green and Bow	4,320	89.87	3,419	£13,988,877

Constituency	Number of households receiving Pension Credit	Average Weekly award	Estimated number of Households entitled but not receiving	Estimated figure of unclaimed pension credit
East Ham	4,250	99.57	3,364	£15,247,610
Hackney North and Stoke Newington	3,980	92.06	3,150	£13,201,959
Hackney South and Shoreditch	4,140	91.37	3,277	£13,629,763
Leyton and Wanstead	2,520	80.73	1,995	£7,330,268
Poplar and Limehouse	3,590	91.81	2,842	£11,875,962
Walthamstow	2,800	82.06	2,216	£8,278,924
West Ham	4,670	89.90	3,696	£15,127,283

Age UK expressed that the systemic issues faced by local residents and the local authority could not be resolved without a root and branch reform of health, social care, benefits and housing. Noting currently they were all stuck in a cycle of developing temporary solutions to recurring and escalating problems.

Targeting residents to ensure they access unclaimed benefits will ensure no resident goes without pension credit, housing benefit, council tax support and the disability benefits. Age UK pointed out this would require more funding for the advice sector, wraparound services, training of front line workers, and all home visiting staff to spot signs of low income and feel confident in making referrals to the advice sector.

Camden agreed with the voluntary sector that the council tax support scheme is not particularly well-known. Adding that it was quite a complicated process to work through. But despite this in the current climate Camden had seen an increase in applications.

The advice providers suggested anything that can help things progress more softly would be welcomed and asked the Council to look at other ways they can send information out to people (alternative formats and technological assistance) with opening letters. They also urged the council to be more responsive to changes that impact people in future to reduce poverty. Key groups highlighted were pensioners and other vulnerable groups like refugees and asylum seekers. refugees and asylum seekers were seen as one of the key client groups that will be impacted because they don't understand the system. Deaf Plus estimate approximately 1500 people could be hit within Hackney, that will be exiting council tax benefit and housing benefit in the near future. In line with the Councils' reported case data the two main client groups the CAB were seeing are single parents with dependent children and single people / single-people renters.

A softer approach to communications about council tax liability was seen as a key area of challenge to overcome. Being in receipt of a letter about council tax arrears or debt was quite scary for many people so the tone of the communication was important because a lot of people do not seek help until the final stages of the debt chasing process. Leaving advice providers with very little areas of support they can provide to change the tide of the debt recovery process. Advice providers highlighted it was quite hard to get them to engage before it gets to the very late stages of extra charges. Therefore having extra costs added to the debt the council is trying to collect is an area of concern when cases progress to court.

6. Conclusions and Recommendations

6.1 Summary

Like all local authorities Hackney has been impacted by the Government's decision to delegate responsibility for council tax relief to local authorities with providing the necessary funding which means that Hackney like all local authorities has the challenging dilemma of having to choose between levels of funding for essential services and providing support for vulnerable residents many of whom are dependent on those same services.

The Task group heard compelling evidence about the impact of having to make contributions to Council Tax on top of other bills on households with low incomes. The framework around enforcement for non-payment of council tax which includes prison sentences for non-payment which adds to the pressure on already stressed households.

Since the Task group heard evidence households and Hackney have been impacted by the cost of living crisis. The recent work on cost of living including the money hub and the cost of living booklet is welcomed. However, the task group was very disappointed to hear during the evidence sessions that the hardship fund was under spent as this seems inconsistent with the level of need and also disappointed about the level of awareness among residents and the local voluntary sector of this facility and criteria for

successful applications. We hope that the recent improvements to the LBH website including a CTRS calculator will improve resident knowledge and experience about the hardship fund and how to access it.

The high degree of flexibility given to LAs in designing CTRS schemes has meant that local schemes could take into account local circumstances. Despite having no support from the Government Hackney council wants to give low income households a bigger discount on their Council Tax bill. It is the ambition of the Council to provide low-income households with a 90% discount on their Council Tax Bill by 2026 and a full 100% discount by 2030.

It was helpful to hear evidence about other local council tax reduction schemes designed by other local authorities. Being able to make comparisons with other boroughs showed how the schemes work in practice and the pros and cons of Hackney's scheme. Most importantly the groups Hackney's scheme aims to protect.

The Task group concluded that Hackney's scheme is designed with the population in mind and that key features (particularly the taper and the additional child allowances) were kept in the design of the scheme to support the circumstances of Hackney's residents - who can tend to have fluctuating incomes; larger families and care leavers.

The relatively high collection rates for residents receiving CTRS possibly indicates that residents are willing to pay and value the services they receive but evidence suggests that this liability can be the last straw in relation to household debt.

Calculating liability for council tax and levels of CTRS support is complex. A team of 37 officers are responsible for the administration of applications for housing benefit, council tax reduction scheme and all the discretionary schemes available through the council. Council Officers need a high degree of expertise to make these calculations but the budget to resource this is reducing fast as more residents move onto universal credit. The criminal cyber attack which impacted Hackney's systems meant that access to records was impaired and this delayed the issue of bills, hindered payments of bills and added to the other economic stresses affecting residents. This meant that it was difficult for residents and those advising them to easily understand their liability coupled with the fact that multiple factors mean the liability can regularly change with a very small change to the household income and circumstances of the households.

The Task Group is pleased to hear that concrete plans have been put in place to make the promised reduction and agree that this should be a priority for the council despite the ongoing financial challenges and the impact on revenue. The interim reduction is also welcome. This direction of travel is important and the Task group endorses the direction of travel outlined by Hackney Council and the proposed two phase timeline to implement changes to the council tax support scheme.

6.2 Recommendations

1 Communication and Consultation	
LBH has a statutory requirement to consult on a new scheme. It will be important for the consultation to be as accessible as possible and to target the consultation at the residents most impacted.	
A	The Task Group would recommend the consultation documentation is accompanied by worked examples of calculations for council tax support as with previous consultations.
B	The Task Group recommends that the consultation engagement plan not only includes targeted engagement with the residents that will be most impacted and includes engaging with the advice services sector too as with previous consultations.
One of the key things the Task Group noted was that the Camden CTRS model was viewed as simple as well as being cost neutral. The evidence showed that CTRS models are designed to meet the needs of the borough's population. The fundamental difference between Hackney's scheme and the 2 boroughs we looked at in detail (Lambeth and Camden) was the zero contribution. The benefits of the CTRS model in Hackney are commended but the Task Group recognises the need to make changes as cost neutral as possible. The Task Group would like the Council to explore making Hackney's CTRS model simpler to understand like Camden.	
C	The Task Group recommends the council explore how they can make Hackney's scheme easier to understand.
It is vital for the communication of the changes to council tax support to be easy to understand to ensure that the knowledge about the changes are shared and can be easily communicated within the community. We would encourage the council to identify typical scenarios that residents can relate to the associated calculation for the council tax support. There has been a lot of poverty reduction work by the council since this group commenced and the booklet produced by the council has been commended as a good guide for residents.	

D	The Task group would also recommend the Council use this consultation to promote the support available for the cost of living crisis.
Following the evidence sessions of the Task Group we were informed that the recovery of the council tax system was complete.	
E	The Task Group would encourage the Council to communicate to residents the current position in relation to the council tax system, collection and applications.
2 Engagement with advice services	
The Council is doing wider work with residents to help address the hardship, poverty and cost of living crisis. The Task group is of the view that this work needs to continue to build further on the work with the advice sector through the grant funding from the council and through the umbrella organisation HCVS about the funds available and how residents can access it. The Task Group recommends that advice services are offered regular engagement to keep up to date about the availability of the council's scheme, criteria and other specialist support available.	
The Task Group recommends an evaluation is carried out to assess the impact of the advice services funding in this area to ensure the information is reaching the residents most in need.	
3 Equalities	
The Task group noted that the Citizen Advice Bureau had collated ethnicity data on their clients for council tax support cases. Understanding who accesses services and support is important to be able to understand if your services are reaching all community groups. Key to understanding this is the provision of ethnicity data. We asked if the council collated this data for the CTRS and we were informed this data is not currently collected and we note that this cannot be a mandatory requirement for people to provide this information to the council. The Task Group is aware that the provision of this data will be reliant on residents answering questions about their ethnicity.	
A	The Task Group recommends the provision of ethnicity data captured by the benefits team for the CTRS is designed into the updated scheme although we note that this cannot be a mandatory requirement.
B	The Task Groups would like to encourage the Council to use council wide data on ethnicity to help supplement the gaps in information.

C	The Task Group also would like to see the consultation report accompanied by a published Equality Impact assessment as with previous consultations.
<p>Hardship Fund</p> <p>We acknowledge the fact that the usual hardship budget allowance will not be enough to cover all CTRS claimants that made an application. Therefore the Hardship fund should be targeted to maximise the take up of the discretionary fund. It is vital that this is published among the community partnership network. We urge the council to work closely with the voluntary sector / Advice services to target and get better applications into the hardship fund so it is not regularly under spent. Working closely with the advice services to ensure they are aware of the full range of support and criteria available to sign post claimants better. This needs to be published to CTRS claimants, advice service advisors and the criteria published.</p>	
	The Task Group recommends the council revisit the pilot scheme with the voluntary sector to support advice to explore if this can be mainstreamed.
<p>Support to Residents - Money Hub and Advice</p>	
<p>It was pleasing to note the Council has been doing a wider piece of work with households on CTRS experiencing financial hardship to maximise their income and employment opportunities. The enhanced support offer to residents is welcomed.</p>	
	The Task Group recommends CTRS claimants should be signposted to support available and we would encourage that this is reviewed regularly.
<p>Care Leavers</p>	
<p>The Hackney's Foster Care Council repeatedly cited unprecedented pressures on the cost of living and highlighted the support being provided by other boroughs to foster carers with council tax relief. In 2018 the Children and Young People's Scrutiny Committee recommended we consider the introduction of a council tax reduction scheme for foster carers.</p> <p>The Task Group is supportive of the care leavers exemption and we would like to encourage the council to explore how they can support care leavers living outside the borough in the same way as it is being provided to foster carers.</p>	

	<p>The Task Group recommends that care leavers opting to leave borough are supported to understand the implications on their council tax bill.</p>
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7. Finance Comments

Section 4.8 above sets out the estimated cost of the CTRS for Hackney. It also notes the estimated financial impact of changes to the minimum contributions to the scheme. A consultation on a reduction to the minimum contribution to council tax to 10 per cent is due to commence in 2023 with proposed implementation for 2024/25. The Council's Medium Term Financial Plan (MTFP) incorporates an estimate of the impact of this proposal.

There is an expectation that any actions arising from the recommendations set out in this report will be met from within existing resources.

8. Legal Comments

Section 13A of the Local Government Finance Act 1992 ("Act"), the council as billing authority must make a localised Council Tax Reduction Scheme in accordance with Schedule 1A to the Act. Section 13A of the Act, gives the council additional discretionary powers to reduce the amount of council tax payable for individuals, or for classes of council taxpayer. This includes the power to reduce the amount payable to nil.

Each financial year the council must consider whether to revise its scheme, or to replace it with another scheme. The council must make any revision to its scheme, or any replacement scheme, no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

Schedule 1A allows the Government to make regulations about the prescribed requirements for schemes and these are contained in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012/2885. Any scheme the council adopts must comply with these regulations.

Schedule 1A to the Act makes further provision about council tax reduction schemes including prescribing the consultation process that must be followed. The Council must, in the following order:

- (a) consult any major precepting authority which has power to issue a precept to it
- (b) publish a draft scheme in such manner as it thinks fit; and

(c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

The Council must ensure that it has due regard to its Public Sector Equality Duty (“PSED”) under the Equality Act 2010 in considering whether to revise or replace its scheme. A comprehensive Equalities Impact Assessment will be required in order to inform the final proposals. Consideration of the PSED will include how the council will remove or minimise any disadvantage suffered by people with a protected characteristic (by way of their age, disability, gender, gender reassignment, race, religion or belief, sexual orientation, pregnancy, or maternity).

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9. Participants

Scrutiny Panel Task Group Membership 2021/2022

- Councillor Clare Potter
- Councillor Caroline Selman
- Councillor Gilbert Smyth
- Councillor Ian Rathbone
- Councillor Kam Adams
- Councillor Lynne Troughton
- Councillor Penny Wrout
- Councillor Sophie Conway
- Councillor Anya Sizer
- Councillor Richard Lufkin

External Contributors

- Fiona Daly, Advice Session Supervisor from the Citizens Advice Bureau (Hackney)
- Robert Joyce, Deputy Director from the Institute for Fiscal Studies
- Hannah Aldridge, Senior Policy and Research Officer from Child Poverty Action Group
- Hazel Saunders, Business Development Manager from Deaf Plus in Hackney.
- Adam Pervoe, Service Manager for Information, Advice, Advocacy and User Involvement from Age UK East London
- Alan Porter, Head of Benefits, London Borough of Camden
- Cllr Andrew Wilson, Cabinet Member Finance and Performance, London Borough of Lambeth

London Borough of Hackney

- Cllr Rob Chapman, Cabinet Member for Finance
- Cllr Nick Sharman, Chair of Audit Committee*
- Ian Williams, Group Director Corporate Finance and Resources
- Jackie Moylan, Director, Financial Management
- Russell Harvey, Senior Financial Control Officer, Financial Planning & Technical
- Jennifer Wynter, Head of Benefits and Housing Needs
- Neil Clarke, Head of Revenues
- Andrew Croucher, Operations Manager (Benefits & Housing Needs)
- Ian Jones Legislation, Strategy & Projects Officer (Benefits & Housing Needs)
- Ross Hatful Legislation, Strategy & Projects Officer (Benefits & Housing Needs)

10. Glossary

Abbreviation	Full Meaning
CTB	Council Tax Benefit
CTRS	Council Tax Reduction Scheme
IFS	Institute of Fiscal Studies
CPAG	Child Poverty Action Group
CTR	Council Tax Reduction
CAB	Citizen Advice Bureau
CT	Council Tax
UC	Universal Credit
ESA	Employment and Support Allowance

11. Reports and Written Submission To Task Group

- Institute for Fiscal Studies - [The impacts of localised council tax support schemes \(full report\)](#)
- Institute for Fiscal Studies - [The impact of localised council tax support schemes \(executive summary report\)](#)
- Child Poverty Action Group - [Still Too Poor To Pay-Council Tax Support in London 2018-19](#)
- House of Commons Briefing Paper - [Council Tax Reduction Schemes GB](#)
- Institute for Government - [Local Government Funding in England](#)
- [The Council Tax Reduction Schemes \(Default Scheme\) \(England\) Regulations 2012](#)
- Written submission from CPAG to questions from CTRS Group
- Written submission from the Citizens Advice Bureau to questions from CTRS Group
- Written submission from Age UK East London to questions from CTRS Group
- Presentation from London Borough of Camden to questions from CTRS Group
- Written submission from London Borough of Lambeth to questions from CTRS Group
- Presentation from London Borough of Hackney to questions from CTRS Group