

Title of Report	Changing the Council Tax Reduction Scheme
Key Decision No	FCR S254
For Consideration By	Cabinet 22 January 2024 Council 24 January 2024
Cabinet Member	Cllr Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service
Classification	Open
Ward(s) Affected	All
Group Director	Jackie Moylan, Interim Group Director, Finance

1. Cabinet Member's introduction

- 1.1. In April 2013 Hackney Council put in place a local Council Tax Reduction Scheme (CTRS) to provide financial assistance to those Council Taxpayers on a low income who have difficulty with paying their Council Tax. This scheme replaced Council Tax Benefit which was a national scheme administered by the Department for Work and Pensions (DWP).
- 1.2. However, while funding for the local scheme was initially provided by way of a grant by the then Department for Communities and Local Government (DCLG), the level of funding was considerably below the actual and projected costs of providing a scheme that replicated the national scheme.
- 1.3. After considerable deliberation and following a full consultation, the Council agreed at that time that the fairest way to deal with the Government's reduction was by spreading it across the claims of Hackney's working-age claimants. It should be noted that the Council were legally proscribed from adjusting Council Tax Support for pension age applicants within the provision of the new scheme.
- 1.4. Pension age applicants continue to receive the same level of support that they did under the old Council Tax benefit system and any support award is calculated on 100% of their Council Tax liability; where their income is below the applicable amounts set by the Department of Works and Pensions, they will be entitled to maximum 100% Council Tax reduction.
- 1.5. It should be noted that since 2013/14, the Council has lost £104m core funding from the Government in real terms (over 25%). Against this background of declining central resources, we have had to increase council tax to maintain service levels and to respond positively to the requirements

of the Covid pandemic, the cost of living crisis and the sustained increase in the demand for many of our services.

- 1.6. The Council's current scheme requires all Council Tax Reduction Scheme claimants who are of working age to pay at least 15% of their weekly Council Tax charge. Recognising the increasing economic pressures on Hackney residents and the effect of government cuts to council funding passing an increasing burden onto Council Tax payers, the Mayor and the administration's election manifesto for 2022 made the commitment that every time we are forced to increase Council Tax, we will also give low-income households a bigger discount on their Council Tax bill, despite receiving no support from the Government for this. We committed to provide low-income households with a 90% discount on their Council Tax bill by 2026 and a full 100% discount by 2030.
- 1.7. This report proposes that the Council take forward the first stage of this commitment (a 90% discount), to be implemented for April 2024.
- 1.8. The Living in Hackney Scrutiny Commission established a Council Tax Reduction Scheme (CTRS) Task and Finish Group to investigate the impact of CTRS on households in Hackney. In their report they recognised that Hackney's scheme is designed with regard to the needs of larger families. 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.
- 1.9. The Task and Finish Group also noted that along with pensioners Hackney Council also protects care leavers (up to age 25) as part of its corporate parenting commitment, and the Council awards a 100% Council Tax exemption to foster carers paying Hackney Council Tax (who are residents in Hackney).
- 1.10. Whilst the move to a 100% maximum award is the political aim of the administration, given the Council's current and future uncertain financial position this is not something we could contemplate immediately.
- 1.11. Moving to a scheme that with a maximum 90% discount will increase the total scheme costs by an estimated £1.25m in comparison to costs if the current scheme were to be retained into 2024/25.
- 1.12. A consultation exercise with Hackney residents and other stakeholders and partners was undertaken on this proposed change to the scheme. In the consultation we asked if the Council should "decrease the minimum contribution which all working age CTRS recipients have to pay from 15% to 10% of their Council Tax liability, regardless of income and circumstance". The majority of the respondents were very supportive of the proposed changes to the Council Tax Reduction Scheme (73% in favour).
- 1.13. I recommend this report to Cabinet and Council.

2. **Interim Group Director's introduction**

- 2.1. The Local Government Finance Act 2012 required local authorities in England to design and implement their own localised Council Tax Support Schemes from April 2013. These local schemes replaced Council Tax Benefit, a national social security benefit administered for the DWP by local councils.
- 2.2. The Council has recognised the continued impact of the cost of living crisis and welfare reform on some of our poorest communities. Some households with the least financial resources have been hardest hit by government cuts, changes to benefits, and increases in everyday living costs such as food, rent, and utilities. As a result some of our poorest residents are facing financial hardship and have found it difficult to pay contributions towards their Council Tax.
- 2.3. Local authorities were nominally given the freedom to design their own schemes, however there were a number of conditions placed on councils including the requirement to ensure that the level of Council Tax Support for pension age applicants was not to be reduced as a result of the introduction of the new scheme
- 2.4. When introduced in 2013/14, our scheme required that all current Council Tax Benefit claimants of working age paid at least 15% of their weekly Council Tax charge to offset, at least in part, the shortfall in funding provided by central Government.
- 2.5. The Council has expressed the ambition to move to a fully funded scheme by 2030 to provide additional financial support to our poorest residents, but funding cuts means the options available at this time are limited. The Council therefore needs to strike a balance between the need to provide extra support to residents who we think need it, while maintaining a scheme that is financially sustainable for the Council's wider budget and limits the impact on our ability to deliver essential front line services that our residents depend on.
- 2.6. In line with the administration's manifesto commitment, the Council is seeking to reduce the minimum contribution to 10% for 2024/25 and to move to a fully funded scheme by 2030.

3. **Recommendations**

- 3.1. **That Cabinet and Full Council note the contents of the report and the financial implications outlined within the report.**
- 3.2. **That Cabinet recommend to Full Council that Members, recognising both the ongoing cost of living crisis in Hackney and the financial constraints placed on the Council, agree to revise the Council's current Council Tax Reduction Scheme by reducing the minimum contribution**

which all working age CTRS claimants have to pay from 15% to 10% of their Council Tax liability from the 1 April 2024 .

4. Reason(s) for decision

- 4.1. When the Council last agreed to amend the Council Tax Reduction Scheme in 2020, it also committed officers to undertake a review of the revised scheme and further reduce the maximum contribution to 10% by 2025/26 and move to a fully funded scheme by 2030.
- 4.2. Whilst seeking to provide additional financial support to low income households the scope for amending the scheme is constrained by the need to manage ongoing reductions in Central Government funding. Over the period 2010-11 to 2023-24, the Council has suffered a £150m real terms reduction in its Spending Power which is equivalent to 33%. The Council therefore needs to strike a balance between the need to provide extra support to residents who we think need it, while maintaining a scheme that is financially sustainable for the Council's wider budget and limits the impact on our ability to deliver essential front line services that residents depend on.
- 4.3. The option of decreasing minimum contributions from 15% to 10% balances both the increasing financial pressures that our low income households face, against the ongoing cuts in government funding. The change will affect working age households only as the Council is legally prevented from making any changes to the scheme that will reduce the level of support payable to a pensioner household.

5. Details of alternative options considered and rejected

- 5.1. As part of the review process, the Benefits & Housing Needs Service commissioned external consultants, Policy in Practice, to carry out the analytical assessment of the revised scheme and to model the financial impact on the Council and on residents.
- 5.2. **Do nothing** - Policy in Practice modelling indicates that if we retain the current CTRS scheme into 2024/25 there will still be a cost increase in delivering the scheme as a consequence of increased Council Tax charges and the uprating of applicable amounts. For modelling purposes only a maximum 4.99% increase in Council Tax liability has been assumed along with a benefit uprating of 5.4% (based on projected CPI inflation figures), recognising the Council has yet to make a decision on the actual Council Tax increase for 2024/25. If we make no changes to the scheme costs of the scheme are estimated to rise from £29.32m to £31.01m, an increase of £1.69m or 5.78%.
- 5.3. Although the Council's previous commitment was to bring forward a reduction in the maximum contribution to 10% by 2025/26, it was considered

appropriate to implement this change earlier, given the depth of the cost of living crisis and the impact on low income residents.

- 5.4. Policy in Practice were also asked to model the impact of additional changes to the scheme administration intended to make the scheme more straightforward and reduce the administrative burden on the Council, through simplification of the application process and simplifying the rules related to both earnings disregards (i.e. the amount of earned income taken into account) and non-dependant deductions (i.e. the assumed contribution of other adults living in the household). These changes would increase the total scheme costs by an additional £1.00m in comparison to estimated costs set out in para 1.11.
- 5.5. As these additional changes would potentially have significant additional cost increases to the scheme as well as the potential for unintended adverse impacts on groups of residents (e.g. reducing support for larger families), we propose to carry out further modelling and consultation and consider these as part of future changes for implementation at a later date.

6. **Background**

Policy Context

- 6.1. The Local Government Finance Act 2012 required local authorities in England to design and implement their own localised Council Tax Support Schemes from April 2013. These local schemes replaced Council Tax Benefit, a national social security benefit administered for the DWP by local councils.
- 6.2. The Council's Council Tax Reduction Scheme (CTRS) that was launched largely mirrored the previous national Council Tax Benefit (CTB) scheme it replaced, except that all claimants of working age were required to pay a minimum payment equal to 15% of their tax liability.
- 6.3. In 2017, the scheme was amended to increase the minimum contribution from 15% to 17%, due to the scheme becoming too costly to administer as a consequence of reduced Central Government funding and increased costs. In 2020 the scheme reverted back to a 15% as a response to changes in external circumstances; the continued impact of welfare reform on some of our poorest communities meant that households with the least financial resources have been hardest hit by government cuts, changes to benefits, and increases in everyday living costs such as food, rent, and utilities.
- 6.4. The CTRS scheme is a means tested benefit: any award of financial support is calculated by comparing the needs of the household with the actual income received. Where there is a shortfall between the income and the established needs, additional support is provided; a discount is made in respect of the household Council Tax charge. To establish the needs of a household a number of factors related to living costs are identified to

establish how much money the household reasonably requires to live on and whether they have the means to pay their Council Tax liability. Within the CTRS scheme, these parameters are normally referred to as applicable amounts.

- 6.5. The applicable amounts used in the calculation initially mirrored those used when calculating Council Tax Benefit. The applicable amount was the figure set by the Department for Work and Pensions to reflect the basic living needs of the claimant and their family, but from 2017, following the introduction and rollout of Universal Credit, the parameters of the scheme were changed to ensure that the applicable amount rates tracked and matched those used in the Universal Credit calculation.
- 6.6. When the government handed responsibility for administering CTRS to local government, it did so with a significant funding shortfall, on top of a huge reduction in overall funding for councils. And since 2013, the effective level of funding the Council has received to support those entitled to support has reduced significantly. The CTRS is not funded on actual expenditure, instead the Council receives a fixed grant as part of the Revenue Support Grant (RSG).
- 6.7. In order to mitigate the impact of restrictions to Council Tax Reduction on our most vulnerable households, the Council has in place a Discretionary Hardship Scheme to help those residents who have difficulty paying their Council Tax due to the impact of minimum contributions. Under Hackney's Council Tax Reduction Discretionary Hardship Scheme each case is considered on its individual merits, with additional awards focused on households that are vulnerable or under particular financial stress. The payment can cover up to full any loss caused by minimum contributions.
- 6.8. Since the launch of the Hackney Council's Money Hub Team, access to additional support, including information on the additional Discretionary Council Tax Hardship fund and how to apply, has been a part of this service. This allows for a more holistic approach and negates the need for residents to make separate approaches to council departments and partner organisations.
- 6.9. In addition, where residents are eligible our revenues collection staff make sure vulnerable bill payers are aware of and know how to access the hardship scheme before proceeding with summons and recovery.

Impact on residents

- 6.10. Delivering the current scheme in Hackney is forecast to cost £29.32m for 2023/24, and without any changes to the scheme these costs will rise to £31.01m, an increase of £1.69m or 5.78%. The 2024/25 scheme was modelled with a 4.99% increase in council tax liability in 2023/24 and 2024/25. It should be noted that the Council has yet to make a decision on the actual Council Tax increase for 2024/25. The increase in costs is driven

by this CT increase and benefit uprating of 5.4% for 2024/25 (based on projected CPI inflation figures).

6.11. Reducing the minimum contribution to 10% increases the estimated total scheme costs by a further £1.25m in comparison to costs if the current scheme were to be retained into 2024/25.

6.12. For working age residents in Hackney, without changing the current scheme the average amount awarded will be £21.23 pw. Changing to a 10% minimum contribution increases the average award to £22.60 pw; in effect working age households in receipt of Council Tax Support will be on average £1.36 per week better off. The table below shows a more detailed breakdown:

2024/25 Comparison of council tax support (£/week)		
	Current scheme	Min Contribution of 10%
All working age	£21.23	£22.60
Legacy benefits	£22.45	£23.87
Universal Credit	£20.06	£21.38
CT Band		
A	£15.66	£16.60
B	£18.16	£19.29
C	£21.05	£22.41
D	£24.43	£26.02
Tenure type		
Council tenant	£20.12	£21.39
Private tenant	£22.29	£23.78
No HB	£21.86	£23.24
Supported housing	£20.09	£21.35
HA tenant	£22.21	£23.63
Temporary accommodation	£17.59	£18.67
Household type		
Single	£19.77	£20.99
Lone Parent	£20.07	£21.37
Couple no children	£25.02	£26.67
Couple with children	£25.97	£27.75
Economic status		
Employed	£20.80	£22.42

Out-of-work benefits	£21.33	£22.62
Self-employed	£21.79	£23.20
Barriers to work		
DLA or Similar	£21.30	£22.56
ESA or similar	£21.65	£22.95
LP child under 5	£18.57	£19.75
Carer	£23.93	£25.45

Equality impact assessment

- 6.13. As of 1 October 2023, there were 26,243 households in Hackney receiving some level of support through the current CTRS, this fluctuates through the year and we have experienced a reduction in caseload over recent months. Equalities data on CTRS recipients is extremely limited; we are able to derive the age, and, to a certain extent, disability of those getting assistance from the application process, but no record is made of marital/civil partnership status, sexual orientation, religion, gender reassignment or pregnancy. Some data is available on household gender but this is fragmented. There is an option for applicants to record their ethnicity, but so few complete the field, the data recorded is considered unreliable..
- 6.14. A full EIA has been undertaken using the available data and has been attached at appendix 1.

Sustainability and climate change

- 6.15. There is no impact on the physical and social environment as a consequence of this proposal.

Consultations

- 6.16. The Council is required by legislation to consult with the GLA (as a precepting authority) on any proposed changes to the Council Tax Reduction Scheme. We contacted the GLA formally in August 2023.
- 6.17. The GLA response was received 18 August and confirmed “The GLA notes that the Council is intending to implement a revised scheme from 1 April 2024. It is proposing to consult on decreasing the minimum contribution which all working age council tax support recipients have to pay from 15 percent to 10 percent of their Council Tax liability, regardless of income and circumstance. This is intended to recognise the severe financial pressures which the borough’s low income households are currently facing... At this stage the GLA has no specific comments on or objections to the proposals and is content for the planned public consultation to proceed.”
- 6.18. The Council is also required to consult with residents. The public consultation was created on Citizen Space and ran from 14th August 2023

until 24th September 2023. Paper surveys were printed for those who did not want to or could not take part online. A postal letter was sent to 25,783 residents receiving Council Tax reductions, explaining the reduction scheme and the link to the online survey. The consultation was promoted via Love Hackney, Hackney Matters website, Hackney.gov website and social media platforms. An SMS message was sent to residents as well who signed up for alerts.

- 6.19. The public consultation received 568 responses in total via the online and paper completion surveys. 568 responses provide an overall data accuracy of +/-4.1%. This means that if 50% of respondents answer 'yes' to a yes/no question, then we know that if we run the same survey again, between 45.9% and 54.1% of all residents would give the same response including those who did not submit a completed survey.
- 6.20. The majority of respondents, 73%, agreed with the Council's preferred option of updating the current scheme and decreasing the minimum contribution required from working age recipients from 15% to 10%.
- 6.21. A more comprehensive consultation report has been attached as appendix 2. We have also attached a copy of the consultation form for information as appendix 3.

Risk assessment

- 6.22. Increasing the maximum award of council tax liability used to calculate the level of support 85% to 90% will potentially bring into entitlement households on the margins of entitlement to support (due to their income being above the current threshold). It is not possible to model this as we do not hold the granular data on household income in Hackney. However, the additional support for these households will be relatively low and is estimated to not present a significant additional cost.

7. Comments of the Interim Group Director, Finance

- 7.1 Interim Group Director, Finance comments are included throughout the report and it is confirmed that the financial impact of the proposed revision to the CTRS scheme has been built into the medium term financial plan.

8. Comments of the Acting Director of Legal, Democratic and Electoral Services

- 8.1. The requirement to make a Council Tax Reduction Scheme was introduced by Local Government Finance Act 2012 ("LGFA"2012") sections 9 to 16 which made amendments to the Local Government Finance Act 1992 ("LGFA 1992").

- 8.2. Each billing authority in England must make a scheme specifying the reductions which are to apply to amounts of council tax payable, in respect of dwellings situated in its area, by;
 - 8.2.1. persons whom the authority considers to be in financial need, or
 - 8.2.2. persons in classes consisting of persons whom the authority considers to be, in general, in financial need (LGFA 1992 s13A(2)).
- 8.3. The Council made such a scheme with effect from the financial year 2013/2014.
- 8.4. LGFA 1992 schedule 1A regulation 5(1) provides that, for each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.
- 8.5. 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 (LGFA 92 schedule 1A regulation 5(2) as amended with effect from 12 January 2018).
- 8.6. If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.
- 8.7. LGFA 1992 schedule 1A and regulations made thereunder (as subsequently amended) set out particular matters that must be included in a scheme.
- 8.8. When revising a scheme the Council must (in the following order);
 - 8.8.1. consult any major precepting authority which has power to issue a precept to it,
 - 8.8.2. publish a draft scheme in such manner as it thinks fit, and
 - 8.8.3. consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 8.9. The function of revising the Council Tax Reduction Scheme can only be carried out by full Council (LGFA 1992 s67(2)(aa)).

Appendices

Appendix 1 - Equalities Impact Assessment

Appendix 2 - Consultation Report

Appendix 3 - Consultation Document

Exempt

N/A

Background documents

None

Report Author	Ian Jones Legislation, Strategy and Projects Officer ian.jones@hackney.gov.uk
Comments for the Interim Group Director, Finance prepared by	Russell Harvey Senior Financial Control Officer russell.harvey@hackney.gov.uk
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Georgia Lazari Team Leader (Places) georgia.lazari@hackney.gov.uk