

REPORT TO:	CABINET 12 October 2022
SUBJECT:	Review of Council Tax Support Scheme – 2023/24
LEAD OFFICER:	Jane West – Corporate Director of Resources and Section 151 Officer Matthew Davis – Interim Director of Finance Catherine Black – Head of Payments, Revenue and Benefits
CABINET MEMBER:	Councillor Jason Cummings Cabinet Member for Finance
WARDS:	All
FINANCIAL IMPACT - Options set out in this report include: 1. £650,000 reduced cost to the Council 2. £928,000 reduced cost to the Council 3. £972,000 reduced cost to the Council 4. £1,251,000 reduced cost to the Council	
FORWARD PLAN KEY DECISION REFERENCE NO. Not a Key Decision	

<p>1. DRAFT RECOMMENDATIONS</p> <p>The Executive Mayor in Cabinet is recommended to</p> <p>1.1 Approve statutory consultation on changes to the income banded Council Tax Reduction (Support) Scheme for working age claimants from 1st April 2023 specifically consultation with the GLA, publication of a draft revised Scheme, and consultation with other persons likely to have an interest in the operation of the Scheme, as set out in this report.</p> <p>1.2 Agree that the recommended changes to be consulted on are:</p> <ul style="list-style-type: none"> a) Removing the application of the minimum income floor to disabled working households b) Introducing non-dependent deductions to disabled not working households c) Changing the level at which the current income bands are increased annually from CPI to the same percentage increase as Council Tax.

2. EXECUTIVE SUMMARY

- 2.1 The purpose of this report is to seek authorisation to undertake statutory consultation with both the public and the Major Precepting Authorities (the GLA) in respect of proposed changes to Croydon's Council Tax Reduction (Support) Scheme (CTS) which will take effect from 1st April 2023.
- 2.2 Each financial year the Council is required to review its CTS scheme in accordance with the requirements of schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or amend it.
- 2.3 An income banded CTS scheme was introduced from 1st April 2022 to simplify the scheme and to achieve MTFs cost reductions of £4.3m for Croydon.
- 2.4 As at July 2022 Croydon have awarded £28.4m for the financial year of Council Tax Support to residents. This is a decrease in CTS awarded of £6.7m compared to last year, with the financial impact to Croydon being a saving of £5.4m. Compared to the MTFs estimate of £4.3m it is on track to cost £1.1m less than originally planned. This report sets out proposals to review the CTS scheme and to make changes which will impact the level of expenditure by varying amounts.
- 2.5 This report seeks authorisation to undertake the statutory consultation on proposed changes to the scheme and makes recommendation to members for the 2023/24 scheme.
- 2.6 Following the completion of the consultation the final recommendation on the scheme will be taken to Full Council in December 2022.

3. BACKGROUND

- 3.1 CTS scheme was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme, administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction the Government:
 - Placed the duty to create a local scheme for Working Age claimants with local authorities
 - Reduced initial funding by the equivalent of 10% from the level paid through benefit subsidy to Local Authorities under the previous Council Tax Benefit scheme
 - Prescribed that person of Pension Age would be dealt with under the existing regulations set by Central Government and not the Local Authorities local scheme
- 3.2 Since that time, funding for the CTS scheme has been absorbed into other Central Government grants paid to Local Authorities and within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources for the CTS scheme but that in real terms funding to the council has continued to reduce since 2013.

- 3.3 The current CTS scheme created by the Council is divided into two schemes, with pension age claimants receiving support under the rules prescribed by Central Government, and the scheme for working age claimants being determined solely by the local authority (subject to certain criteria).
- 3.4 Pensioners, subject to their income, can receive up to 100% support towards their Council Tax. The Council has no powers to change the level of support provided to pensioners and therefore any changes to the level of CTS can only be made to working age scheme.
- 3.5 The working age CTS scheme was changed significantly from April 2022 and moved to an income banded scheme. The complexities of the old scheme, which was based mainly on the old council tax benefit rules, were removed and a simpler scheme was introduced.
- 3.6 The principles of the existing CTS scheme (as locally adopted) for working age claimants are as follows:
- **Council Tax Support should be paid to those with minimal savings** – residents who have Capital of more than £8,000 cannot claim (excluding Pensioners or disabled not working whose limit is £16,000)
 - **Council Tax Support should be property related** – Residents can only receive Council Tax Support to a maximum of band D.
 - **Everyone should pay something** - all residents will be asked to contribute something towards Council Tax unless they are in one of the protected groups i.e., pensioner (pensioner or disabled not working).
 - **Everyone in the household should pay something** – Other adults living in a household who are not the main taxpayer, or their partner will contribute to meeting the cost of Council Tax for the property
 - **Make Work pay** – £50 income disregard for disabled working residents.
 - **Protecting the vulnerable** – Residents who are working age residents who receive Disability Living Allowance, Personal Independence Payments or Employment and Support Allowance and not working receive 100% council tax support.

3.7 Details of the current scheme:

Resident Type	Pensioners	Disabled Not Working	Disabled Working	Income Band (All other residents)
Number of Residents in Scheme	7,917	7,378	757	10,465
Amount of Capital Before Nil Entitled	No Changes to this group of Residents	£16,000	£8,000	£8,000
Council Tax Band Cap		No Band Cap	Council Tax Band: D	
Incomes received by residents not counted for the purposes of an income band / Disregarded		100% of Child Care Costs 100% of Child Maintenance 100% of Universal Credit Housing Element 50% of Carer's Allowance 100% Personal independence payments/Disability living allowance 100% child benefit		
Earned Income not counted for the purposes of an income band / Disregard		N/A	£50 per week	Nil
Non-Dependant Deductions		No non-dep deductions	£5 per week non-working £10 up to £23,999 £30 for £24,000 over	
Self-Employed Min. Income Floor		£186.41 per week for Lone Parents £297.93 per week for single claimants and couples		

Amount of capital before nil entitled: The amount of capital claimants can have before they are not entitled to claim CTS. This is set to £16,000 for claims where the claimant or partner are disabled and not working, and £8,000 for every other working age claim.

Council Tax Band Cap: For all working age claims, excluding those for disabled not working groups, the amount of council tax liability used to calculate the maximum CTS award is capped to a band D.

Incomes not counted for purposes of the income bands: These are a list of incomes that are fully ignored when calculating the income of claimants to work out how much CTS they should be awarded.

Earned income not counted for the purpose of the income bands: This is the amount of earnings we will ignore when calculating the income of claimants to work out how much CTS they should be awarded. For those classified as disabled working, we ignore the first £50 of earned income. For all other working age claims we include all of the earnings.

Non-dependant deductions: An amount deducted from the claimants CTS entitlement based on the income of any other adult living in the property, other than a partner. Deductions are taken for all working age claims other than those classed as disabled not working.

Self-employed minimum income floor: When a claimant has been self-employed for longer than a year and they declare lower than expected income, an assumed income is applied to CTS calculation for that self-employed resident.

3.8 The income bands used currently:

Weekly income	Percentage of Council Tax Liability covered by CTS		
	Disabled non-working	Lone parents with a child under 5	All other claimants
£0 to 100.99	100%	80%	75%
£101 to 150.99	100%	70%	60%
£151 to 200.99	100%	60%	40%
£201 to 250.99	100%	50%	30%
£251 to 300.99	100%	40%	20%
£301 to 350.99	100%	30%	15%
£351 to 400.99	100%	20%	10%
£401+	100%	0%	0%

4. DETAIL

4.1 Since the introduction of the change to an income banded scheme in April 2022, there have been some elements of the scheme that have been highlighted as needing review to make the scheme fairer to some of the vulnerable groups of residents. i.e., removing the application of the minimum income floor to self-employed disabled working residents.

- 4.2 There is also a decision to be made regarding the level at which the income bands are increased each year. The unprecedented monthly increase in CPI means that the part of the scheme which links the increase in income bands to the level of CPI as of September needs to be reviewed.
- 4.3 Given the original intention that everyone in the household should contribute to the cost of Council tax there is an option to introduce non-dependant deduction to disabled not working households, either at the same rate as other groups, or at a reduced rate.

Option to amend the Income banded scheme for consultation

- 4.4 In view of some areas that have been identified as needing review, it is recommended to consult on changing some elements of the existing scheme.
- 4.5 The final details of any changes to the scheme will need to take account of the outcome of public consultation. Cabinet is asked to agree the following principles for the changes to the existing scheme as the basis for public consultation: -
- Remove the application of the minimum income floor to households where the claimant or partner are disabled.
 - Change the rate at which the income bands are increased annually from the level of CPI (currently 9.4%) to the amount Council Tax is increased for that year – modelled for indicative purposes on 3%.
 - Introduce non-dependent deductions (NDD) to disabled not working households, except where the non-dependent is in receipt of Employment Support Allowance or Limited Capability to Work.
- 4.6 **Removal of minimum income floor** – This will positively affect households that have been classified as disabled working, and where the claimant or partner are self-employed and their income isn't disregarded already under permitted earnings. This change is proposed to acknowledge that where the person who is disabled is self-employed, or their partner, there may be reasons as to why they are unable to increase their hours or income, and as a result we should not use assumed income that may be unachievable in their circumstances.
- An example of how this would effect a claim: Claimant is self-employed as a hairdresser and their income is £80 per week after expenses. If we applied the minimum income floor we would use assumed income of £297.93 per week. If they had no other income the level of CTS they would get in each circumstance is very different. They would be awarded 20% of their CTS if we used the assumed income figure, but 75% if we used the £80 actual income.
- 4.7 **CPI change** – This change will affect all claimants equally. The proposal is to increase the income bands used within the scheme by the same percentage that we increase Council Tax. This won't be a set percentage but rather the scheme will state that the income bands will increase by how much London Borough of Croydon increases council tax each year. We will then not need to consult on this each year.

4.8 The current scheme states that the 50% band which is at £201.00 as of the 1st April 2022 will increase based on the Consumer Price Index as September of the preceding year. The bands must then continue to move at £50 intervals As of June 2022 CPI has risen by 9.4% in the last 12 months. The updated bands based on this increase would be as follows:

Weekly income	Percentage of Council Tax Liability covered by CTS		
	Pensioners and disabled non-working	Lone parents with a child under 5	All other claimants
£0 to £119.99	100%	80%	75%
£120 to £169.99	100%	70%	60%
£170 to £219.99	100%	60%	40%
£220 to £269.99	100%	50%	30%
£270 to £319.99	100%	40%	20%
£320 to £369.99	100%	30%	15%
£370 to £419.99	100%	20%	10%
£420+	100%	0%	0%

4.9 The proposal is to change the scheme to increase the income bands by the percentage by which Council Tax is increased, this is currently 3%. If the scheme was changed in the income bands would be increased to the following amounts:

Weekly income	Percentage of Council Tax Liability covered by CTS		
	Pensioners and disabled non-working	Lone parents with a child under 5	All other claimants
£0 to £106.99	100%	80%	75%
£107 to £156.99	100%	70%	60%
£157 to £206.99	100%	60%	40%
£207 to £256.99	100%	50%	30%
£257 to £306.99	100%	40%	20%
£307 to £356.99	100%	30%	15%
£357 to £406.99	100%	20%	10%
£407+	100%	0%	0%

4.10 **Non-dependent deductions** - One of the principles of the CTS scheme is that everyone in the household should pay towards council tax. Non-dependents are other adults that live in the property, excluding any partners. In all other groups within the scheme a deduction is taken from the level of CTS entitlement based on the non-dependents income. To implement the 'everyone in the household should pay' principle across all residents we are proposing to introduce non-dependent deductions to disabled not working claims. The rate of the weekly deductions are £5 if the non-dependent is not working, £10 if earning up to £23,999 and £30 if earning £24,000 or over.

4.11 Consideration has been given to changing the non-dependent deductions from set amounts to a percentage of council tax liability. In practice the way the processing system is set up means that it is unable to tie the deductions directly to the liability amount and having a set figure means we can update the amount once a year and all claims will be updated. Changing the deductions to a percentage of council tax would mean that a non-dependent in a band A property would be paying much less than a non-dependent in a band D property, even if they had the same level of income which would make the scheme complex and unfair. The deduction should be based on the income of the non-dependent and not the property situation.

Disabled not working claim if non-dependent deductions were introduced as a percentage of council tax liability (assumed a 20% deduction):

Band A property

Non-dependent income £15,000 – deduction set at 20% of weekly liability

Deduction would be 20% of £25.21 = £5.04

Band D property

Non-dependent income £15,000 – deduction set at 20% of weekly liability

Deduction would be 20% of £37.80 = £7.56

This methodology is therefore not recommended.

Instead, we are proposing to add to the scheme that the level of the cash deduction is increased annually by the same percentage that the non-dependent deductions are increased for Housing Benefit. The increased figure would be updated in the system in one place and all the claims would be updated. All figures are reviewed annually and this will form part of that process.

4.12 An example of how the proposed change will effect entitlement for disabled not working claims is as follows, based on income of £260 per week, a Band C property with liability of £33.60 per week and a non-dependent in the property who is not working:

Disabled not working claims: For disabled not working claims no matter how much their weekly income is and what income band they fall in too they will get 100% of their council tax liability covered via CTS. So they will be awarded £33.60 per week. Under the proposed changes a deduction of £5 would be taken off this award for the other adult in the property, reducing the CTS award to £28.60

Disabled working claims: For disabled working claims the total income for the claimant and their partner is added up and using the income bands the percentage of CTS award can be calculated. There is a £50 disregard for disabled working claims, meaning we would use a weekly income of £210. A weekly income of £210 would mean they fall in to the 30% CTS award income band. 30% of their weekly council tax liability of £33.60 would be £10.08.

Income banded claims: For income banded claims there are no income disregards meaning we would use the full £260 as weekly income for the claim. Weekly income of £260 equates to an award of CTS of 20% based on the income bands. 20% of £33.60 would an award of £6.72.

	Current CTS entitlement	Entitlement after proposed changes
Disabled not working	£33.60	£28.60
Disabled working	£10.08	no change
Income band	£6.72	no change

4.13 Neighboring authorities Merton, Sutton and Bromley all take non-dependent deductions within their CTS schemes.

4.14 The table below demonstrates the financial implications of the distinct options listed above. All the scenarios below include removing the minimum income floor for disabled households.

	Scheme Impact	Saving in 2023 of £1.1m change to:
9.4% Without NDD	-£425k	£650k
3.0% Without NDD	-£146k	£928k
9.4% With NDD	-£102k	£972k
3.0% With NDD	£177k	£1,251k

4.15 All options result in a saving for Croydon, but at varying amounts depending which elements are taken forward.

4.16 The proposed changes are still designed to protect the most vulnerable residents including disabled residents not able to work.

4.17 Any income disregarded (i.e., not counted) under the current scheme will continue to be disregarded under the new scheme, e.g., Disability benefits such as Disability Living Allowance and Personal Independence Payments. Any disregards on war pensions and war disablement pensions will continue.

4.18 A hardship scheme consisting of a total £650k was already agreed for 2023/24 as part of the move to an income banded scheme in 2022/23. This amount has been ringfenced and does not affect the levels of savings proposed for 2023/24 based on the options above. The hardship scheme will continue to be administered by the Benefits team who are best placed to understand household circumstances and resident's ability to pay Council Tax.

5. CONSULTATION

5.1 These proposals would represent a change for a number of residents. It is important that residents and other stakeholder's views are considered and reflected in the final design of any changes. A full and comprehensive consultation will allow us to seek feedback and explore options and to further mitigate any negative impacts of the proposed changes CTS scheme.

Section 13A of the Local Government Act 1992 requires the Council as the billing authority to make a localised Council Tax Support scheme in accordance with section 1A of the Act. Each financial year the council must consider whether it wants to revise the scheme, leave as is or replace it. Consultation must occur on any option required to change the scheme prior to introduction, and is set out in Schedule 1A (3) of the Local Government Finance Act 1992:

Consult any major precepting authority which has power to issue a precept to it
Publish a draft scheme in such a manner as it thinks fit and
Consult such other persons as it considers are likely to have an interest in the operation of the scheme

5.2 When carrying out consultation the following guiding principles for a fair consultation must be adhered to:

At a time when the proposal is at a formative stage
Include sufficient reasons to enable those consulted to give consideration and respond
Awareness of the factors which are of decisive relevance to the decision
Adequate time for consideration and response

The result of the consultation should be conscientiously considered by the decision makers when the decision is made.

5.3 Consultation will take place with the following:

Major Precepting Authorities (the Greater London Authority) – a formal request will be made for comments on the proposed scheme. This will be in writing giving a 14-day timescale for any response. Experience from previous consultations have shown that preceptors will be focussed on the effect on the Council Tax base as well as the effect on residents.

Public – an open invitation will be given to all residents of Croydon to comment on the proposed new scheme, irrespective of whether they are in receipt of Council Tax Support or not. Both working age and pension age residents will be encouraged to respond, although it should be noted that the scheme for pension age claimants is prescribed by Central Government. If agreed the Council can only change the working age Council Tax Support scheme. An online survey will be made available via the Council's website, and a comprehensive communications plan will be delivered to ensure as much feedback as possible.

Consultation will also take place with other interested stakeholders and with equalities support organisations within the borough.

- 5.4 Approval to commence consultation by officers is proposed to enable adequate consideration of proposals resulting from the consultation by December 2022, being the year prior to the scheme being implemented.
- 5.5 In addition to formal consultation, the Council will provide information on its website as to the proposed changes.
- 5.6 If a new scheme is agreed, the Council will contact any Council Tax payer affected by the changes.

6 PRE-DECISION SCRUTINY

- 6.1 This paper sets out proposed changes to the Council Tax Support scheme with a recommendation to undertake a full public consultation on the proposals. No pre-decision scrutiny on the decision to consult has been undertaken.

7 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 7.1 The current CTS scheme costs around £28.4m of which 80% or £22.72m is borne by the Council's Collection Fund. The remaining 20% or £5.68m is attributed to the GLA.
- 7.2 The proposals to be included in the consultation deliver a saving to the Council of between £650k and £1,251k.
- 7.3 Risks – as we are asking some residents to pay more towards their Council Tax there is a risk that they may struggle to make the requested payments. To mitigate this risk, the Council will implement a hardship scheme to support those most in need or unable to pay their Council Tax. In addition to this the Council have close working partnerships with welfare agencies e.g., Citizens Advice Bureau and Money and Pension Service to further support residents in need.
- 7.4 The monetary impact of the recommendation set out in this report will be included in the budget setting and MTFs proposals 2023/24.

Approved by: Matthew Davis Interim Director of Finance Resources

8. LEGAL CONSIDERATIONS

- 8.1 The Head of Litigation and Corporate Law and Deputy Monitoring Officer comments on behalf of the Director of Legal Services and Monitoring Officer that the Council is required, under the Local Government Finance Act 1992 ('the 1992 Act'), for each financial year, to consider whether to revise or replace its CTS scheme. The Council's substantive review, detailed in this report, complies with this requirement.
- 8.2 The 1992 Act provides that a billing authority's Council Tax Reduction Scheme must include prescribed matters set out in the Council Tax Reduction Schemes

(Prescribed Requirements) (England) Regulations 2012. Therefore, the Council is required, without any exercise of discretion, to amend the CTS Scheme, to reflect any changes made to those regulations.

- 8.3 This report includes a recommendation that the revised and proposed CTS scheme be consulted upon as required by Schedule 1A of the 1992 Act.
- 8.4 When a billing authority decides to revise or replace its scheme it is required to comply with the preparation requirements set out in Schedule 1A of the 1992 Act. This includes consulting any major precepting authority, publishing the draft scheme and consulting upon it.
- 8.5 The proposed consultation is set out within section 4 of the report. Any consultation process should be conducted in accordance with the Gunning principles, as set-out at paragraph 4.2.
- 8.6 Under the 1992 Act, a decision to revise a billing authority's scheme is required to be made by the authority, not its executive. This is outlined at paragraph 2.6 of the report.

Approved by Sandra Herbert, Head of Litigation and Corporate Law and Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer.

9. HUMAN RESOURCES IMPACT

- 9.1 There are no immediate HR issues arising from this report for LBC employees or staff.

Approved by: Gillian Bevan Head of HR Resources and Assistant Chief Executives

10. EQUALITIES IMPACT -

- 10.1 An equalities impact assessment has been completed based on all the possible options presented in this report and this will be reviewed after the statutory consultation has taken place and results have been analysed. A further Equalities impact assessment will be completed at that stage when final decisions has been made.
- 10.2 The council needs to review its scheme whilst ensuring that groups more affected by the changes are provided with support.
- 10.3 The Council recognised that some people may be affected more than others. The groups listed below were identified by the Council to be affected by the proposed changes
- Self-employed disabled residents
 - Disabled non-working households with a non-dependent resident
- 10.4 It is noted that consultation will be taking place with other interested stakeholders and with equalities support organisation within the borough.
- 10.5 There are four potential outcomes of an Equality Analysis these are:

- No major change - the Equality Analysis demonstrates that the policy is robust and that the evidence shows no potential for discrimination and that all opportunities to advance equality have been taken.
- Adjust the proposed change to lessen the impact should it adversely impact the Council's ability to meet any of the Public Sector Duties and/or remove barriers or better promote.
- Continue the proposed change despite potential for possible adverse impact or missed opportunities to promote equality – as we are satisfied that these will not lead to unlawful discrimination and there are justified reasons to continue as planned.
- Stop and remove the change – if there will be potential for adverse effects on one or more protected groups that are not justified and cannot be mitigated it must be stopped and removed or changed.

10.6 Residents affected by the changes will be signposted to debt advisory organisations and given support with budgeting by way of mitigation.

10.7 Until full Council has made its decision around what changes will be made to the existing scheme (if any), it is not possible to confirm the final outcomes of an Equality Analysis. A further final Equality Analysis will be carried out once we are made aware of the Full Council decision in December 2022.

Approved by: Denise McCausland, Equalities Programme Manager

11. ENVIRONMENT AND CLIMATE CHANGE IMPACT

11.1 The proposed changes will not have an impact on The Council's commitment to address environmental sustainability

12. CRIME AND DISORDER REDUCTION IMPACT

12.1 No impact on Crime and Disorder.

13. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

13.1 Some changes are being proposed to amend decisions made in the original scheme such as the effect of the minimum income floor on disabled working households. Others are to further mitigate against the cost of CTS to the Council in an area where central government funding has been decreasing.

13.2 The Council is therefore recommended to agree the making the proposed changes to the CTS scheme from April 2023.

14. OPTIONS CONSIDERED AND REJECTED

14.1 The option of doing nothing is one that has been rejected as elements of the scheme such as the application of the minimum income floor need to be amended so that groups of residents are not adversely affected.

15. DATA PROTECTION IMPLICATIONS

15.1 None required. The new scheme uses only existing data held. No further personal

data will be requested, obtained, held, or published.

15.2 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

YES

Name, Address, Date of birth, National insurance number, income details, capital information and household information which may include special category data, such as ethnicity and health information

15.3 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

YES

CONTACT OFFICER: Catherine Black, Head of Payments, Revenue and Benefit.