

REPORT TO:	CABINET 18 October 2021
SUBJECT:	Review of Council Tax Support Scheme – 2022/23
LEAD OFFICER:	Richard Ennis – Interim Corporate Director of Resources (Section 151) and Deputy Chief Executive Catherine Black – Head of Payments, Revenue and Benefits
CABINET MEMBER:	Councillor Stuart King – Cabinet Member for Croydon Renewal and Councillor Callton Young – Cabinet Member for Resources & Financial Governance
WARDS:	All

COUNCIL PRIORITIES 2020-2024

In accordance with the Local Government Finance Act 1992, as amended, the Council was required to agree a local Council Tax Support scheme for working age residents who were on no or low income. The scheme replaced the Council Tax Benefit scheme which was administered by Local Authorities on behalf of the Department for Work and Pension. The local scheme was agreed and introduced on 1st April 2013, the scheme should be reviewed each year to ensure that it is an effective local Council Tax Support scheme, which will provide continued support to Croydon's most vulnerable residents and residents who are most in need of support.

[Council's priorities](#)

FINANCIAL IMPACT - Expected to save £5.7m and is included in the MTFS proposals for 2022/23

FORWARD PLAN KEY DECISION REFERENCE NO. Not a Key Decision

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet is recommended to

- 1.1 Approve statutory consultation on the introduction of a new income banded Council Tax Reduction (Support) Scheme for working age claimants from 1st April 2022.
- 1.2 Agree that the recommended scheme to be consulted on be an income banded Council Tax Support scheme, which:
 - Retains 100% protection for Pensioners, care leavers under 25 and Disabled non-working residents
 - Utilises income bands of £50
 - Has a maximum level of income per week before someone is not eligible for CTS of £450 per week or £23,400 per year

- | |
|---|
| <ul style="list-style-type: none">• Has a maximum discount awarded for (not protected) working age residents of 80%• Introduces a Hardship Fund to support residents transition from the current CTS scheme to an income banded scheme |
|---|

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 in respect of proposed changes to Croydon's Council Tax Reduction (Support) Scheme (CTS) which will take effect from 1st April 2022.
- 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 CTS scheme was introduced from 1st April 2013 when it replaced the Central Government funded Council Tax Benefit regime for families on low or no income. From its inception, the funding available to the Council from Government was 90% and it has reduced year on year.
- 2.4 Since its introduction in 2013 Croydon's CTS scheme has remained unchanged. Over this time the costs have grown from £28.7m to £35.04m. The introduction of Universal Credit has reduced the information Government share with the council, significantly increasing the administrative burden on the council and making the application process for the CTS scheme far more complex for residents. This report sets out proposals to review the CTS scheme and to adopt a simpler income banded scheme which protects pensioners, care leavers and the most vulnerable as well as targeting support on households with the lowest incomes.
- 2.5 This report seeks authorisation to undertake the statutory consultation on requested changes to the scheme and makes recommendation to members for the 2022/23 scheme.
- 2.6 Following the completion of the consultation the final recommendation on the scheme will be taken to Full Council in January 2022.

3. DETAIL

- 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 persons 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 also 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 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.
- 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 principles of the existing CTS scheme for working age 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
 - **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. All working age residents not working and not in a protected group pay at least 15% of their Council Tax liability. This was approximately £3.50 per week. All working age residents that are working, and not in a protected group will pay at least 15% more of their Council Tax liability.
 - **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** – income disregard was increased from £5 to £10 per week
 - **Protecting the vulnerable** – Residents who are either pensioners, or working age residents who receive Disability Living Allowance, Personal Independence Payments or Employment and Support Allowance (part work related), residents who are in receipt of Income Support or a Single Parent with a child under 5 receive the same level of Council Tax Support as they did under the Council Tax Benefit Scheme.
- 3.6 Since the introduction of the existing scheme in 2013 no revisions have been made to align the existing CTS scheme with Housing Benefit or Universal Credit. This means that the Council is administering multiple support schemes for residents, which is not only complex and confusing for residents, it is administratively burdensome and time-intensive for the Council.
- 3.7 There are a number of issues with the current scheme that will need to be addressed if the system is to continue to provide effective support to low income

residents, and also if the Council is to be able to provide the service in an efficient manner. The main issues are:

- The Introduction of Universal Credit for working age claimants and
- The need for a simplification of the scheme

3.8 The introduction of Universal Credit has brought a number of significant challenges to both the administration of CTS scheme and also the collection of Council Tax generally. We have experienced the following:

- The reluctance of Universal Credit claimants to make a prompt claim for CTS leading to a loss in entitlement
- A high number of changes to Universal Credit cases received from the Department for Work and Pensions requiring a change to CTS entitlement. On average 40% of Universal Credit claimants have between 8 and 12 changes in entitlement per year. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays and a potential loss in collection and
- The increased costs of administration through multiple changes with more staff time being required

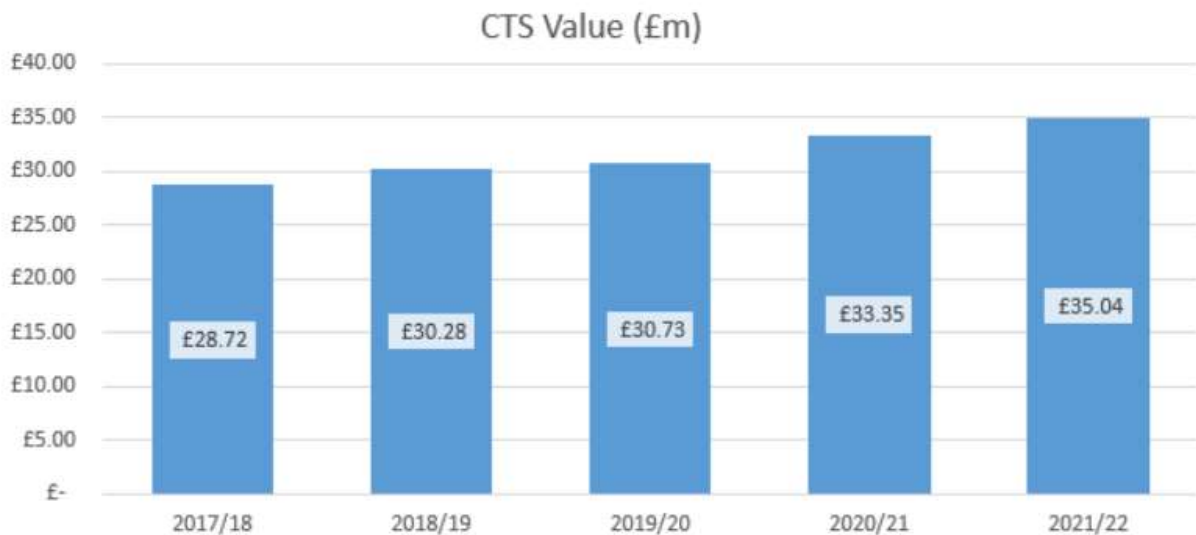
3.9 It is clear the existing means tested CTS scheme which is too reactive to changes in circumstance, will not be viable in the longer term now that Universal Credit has been rolled out significantly within the borough. We do not yet know what impact the end of the furlough scheme in September 2021 will have on Universal Credit and Council Tax support claims.

3.10 The need for a simplified approach to the CTS scheme is because the existing scheme is based mainly on “old fashioned” means tested benefit scheme, meaning:

- It is complex for residents to understand based on the complex calculation of entitlement
- The administration for staff is complex, with staff having to request significant amounts of information from residents
- Staff have to undergo significant training to be proficient in processing claims
- The timescale for processing claims is delayed mainly due to the complexity and evidence required to support the claims

There is a need to simplify the existing scheme not only to mitigate the effects of Universal Credit, but to make it easier for residents to make a claim and reduce the costs of administration.

3.11 The funding that Croydon receives each year towards the cost of CTS scheme expenditure is contained within the Revenue Support Grant. Whilst Central Government grant funding is reducing year on year, CTS scheme expenditure is increasing year on year. The following table details the value of expenditure from 2017/18 to 2021/22



Option to adopt an Income banded scheme for consultation

3.12 In view of the challenges being experienced with the current scheme, it is recommended to consult on changing the existing scheme to one that uses income bands. Income banded schemes have already been adopted by other London boroughs including Camden, Barnet, Sutton and Brent.

Options to retain the existing CTS scheme or to make minor adjustment to the existing scheme were considered but not progressed as they would not address the existing financial or administrative challenges resulting from the introduction of Universal Credit.

3.13 An income banded scheme takes into consideration the net combined household income of a claimant and partner only. A Council Tax discount would be paid incrementally, e.g. residents in receipt of the lowest income would receive the highest discount towards their Council Tax liability, and residents in receipt of higher income would receive a lower discount towards their Council Tax liability. This means support is targeted at households with the lowest incomes and in the greatest need.

3.14 The final details of any new scheme will need to take account of the outcome of public consultation. Cabinet are asked to agree the following principles for the design of a new scheme as the basis for public consultation:-

- Retain 100% protection for pensioners, care leavers under 25 and disabled non-working residents
- Income bands should be based on intervals of £50
- The maximum level of income per week before someone is not eligible for CTS of £450 per week or £23,400 per year
- The maximum discount awarded for (non protected) working age residents should be 80%
- Introduce a Hardship Fund to support residents transition for the current CTS scheme to an income banded scheme

3.15 The table below demonstrates a £50 income banded scheme which provides 80% discount to residents on the lowest income.

Net Weekly Income in £50 Banded Schemes	Yearly income	% Discount Awarded
1. Claimant and/or partner with disability benefits and not working		100%
£0 to £150	£0 - £7,800	80%
£151 to £200	£7,800 - £10,400	70%
£201 to £250	£10,400 - £13,000	60%
£251 to £300	£13,000 - £15,600	50%
£301 to £350	£15,600 - £18,200	40%
£351 to £400	£18,200 - £20,800	30%
£401 to £450	£20,800 - £23,400	20%

3.16 In simplifying the scheme the only other information that is needed before CTS can be calculated under an income banded scheme, is the banding of the property (which we will know), and the income of any other adults (non-dependants) living the property, for which we will make a deduction, the deductions have been simplified into 3 groups for ease of administration. A non-dependant is another adult living in the property who is not the claimant or partner, a non-dependant could be an adult son or daughter living with their parents. All adults are expected to contribute towards payment of Council Tax and therefore we make a deduction to the amount of CTS entitlement as a non-dependant deduction. The non-dependant deductions are £5.00 where the non-dependant is not working eg claiming Universal Credit or Job Seekers Allowance, £10.00 where the non-dependant earns less than £23,000 and £30.00 where the non-dependant is earning £23,000 or above.

3.17 The table below demonstrates the financial implications of moving to a £50 income banded scheme, where pensioner claimants and vulnerable claimants not expected to work are 100% protected, and the maximum discount awarded to residents on the lowest income is 80%.

Income Band Scheme Example

Income Bands of £50 with no CTS paid if earned income over £50 per week. CONTAINS ALL CHANGES DONE FOR PREVIOUS MODelling												
Income Banded with Vulnerable Protection	Original Income Bands for DISABWORK and INCOME BAND			As per the cabinet report all income revisions below have been taken into consideration in calculating the total savings - see 8.11.18 of Cabinet Report.								
	Net Weekly Income in £s	% Discount Awarded	% Council Tax To Be Paid	PERSONABLE	DSABWORK	DSABHOWORK	INCOMEBAND	TOTAL FINANCIAL IMPACT	LBC FINANCIAL IMPACT	HARDSHIP FUND	NET FINANCIAL IMPACT	
Disabled Residents Not able to work = 100% Protected	0 to 150	80	20									
Disabled Residents who are able to work = not 100% Protected	151 to 200	70	30									
	201 to 250	60	40									
All other claims, not 100% Protected	251 to 300	50	50									
	301 to 350	40	60									
	351 to 400	30	70									
	401 to 450	20	80									
Amount				-	-	665,032.95	64,762.78	7,584,626.98	-8,184,898.49	-6,547,918.79	818,489.85	-5,729,428.95

- 3.18 The total financial impact is a reduction in expenditure of £8.18m, the impact to Croydon is 80% £6.54m, we are also proposing a hardship scheme which is 10% of the total financial impact £818k and reducing the net financial impact to £5.72m.
- 3.19 Further to the principles set out at 3.14 above, the proposed scheme is designed to protect the most vulnerable residents including care leavers under 25 and disabled residents not able to work.
- 3.20 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.
- 3.21 Where a disabled resident is working we will disregard (remove) £50 from their earned income prior to calculation of CTS under an income banded scheme in order to provide additional protection.
- 3.22 Leaving Care residents under 25 are not affected by these changes as they will receive a Council Tax Reduction of 100% and so continue to have no Council Tax liability to pay.
- 3.23 A hardship scheme consisting of 10% of the financial impact i.e. £818k is proposed to support those most in need to transition from the existing CTS scheme onto the new income banded scheme. The hardship scheme will be administered by the Revenues team who are best placed to understand household circumstances and residents ability to pay Council Tax. Eligibility for the hardship scheme will be clearly defined once the new CTS scheme has been confirmed, but in principle households could qualify for the hardship scheme where:
- Specific families or circumstances mean families are not able to afford the changes
 - Households need support for a certain period of time in order to be able to amend their income and expenditure arrangements, to meet the changes in their Council Tax liability.

4. CONSULTATION

- 4.1 These proposals would represent a significant change for a large number of residents. It is important that residents and other stakeholders views are taken into account 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

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

- At a time when the proposal are 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 taken into account by the decision makers when the decision is made.

4.3 Consultation will take place with the following:

- Major Precepting Authorities – 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.
- Other stakeholders – including commissioned providers as follows:-
 - Age UK Lead – Disability Croydon & Croydon Vision
 - Citizens Advice Bureau (CAB)
 - MIND
 - Purley Cross Community Information Centre
 - Royal Association for Deaf (RAD) People
 - John Whitgift Foundation / Carers Information Service

The Council will also contact other interested stakeholders such as Money Advice and Pension Service (MAPS), as well as other groups providing welfare support to residents for their comments and feedback.

4.4 Approval to commence consultation by officers is proposed to enable adequate consideration of proposals resulting from the consultation by December 2020, being the year prior to the scheme being implemented.

4.5 In addition to formal consultation, the Council will provide information on its website as to the proposed changes.

4.6 If a new scheme is agreed, the Council will contact any Council Tax payers affected by the changes.

5 PRE-DECISION SCRUTINY

5.1 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.

6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

6.1 The current CTS scheme costs around £35m of which 80% or £28m is borne by the Council’s Collection Fund. The remaining 20% or £7m is attributed to the GLA.

6.2 The cost of CTS has increased year on year whilst Central Government funding has reduced year on year, so the financial gap is growing each year. As Central Government grant funding is contained within the Revenue Support Grant and has been amalgamated with Business Rates Retention scheme, it is not possible to determine the exact extent of the current funding gap.

6.3 Should CTS continue to growth at the existing pace, and no change is made to the existing scheme, the cost of the scheme could rise as follows:

- 2022/2023 £36.8m
- 2023/2024 £38.7m
- 2024/2025 £40.6m

6.4 Revenue and Capital consequences of report recommendations

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Revenue Budget available				
Expenditure				
Income				
Effect of decision from report				
Expenditure				
Income		£5.7m	£5.7m	£5.7m
Remaining budget				
Capital Budget available				
Expenditure				

**Effect of decision
from report**

Expenditure

Remaining budget

_____	_____	_____	_____
_____	_____	_____	_____

6.5 The effect of the decision to move to an income banded scheme is two fold

- Some working age resident will be asked to contribute more towards their Council Tax, whilst pensioners and disabled residents will remain 100% protected from any change to their current CTS entitlement.
- The new scheme will be simplified with less complexity and it will be easier and faster for residents to make a claim.

6.6 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 due to the transition from the existing CTS scheme. In addition to this the Council have close working partnerships with welfare agencies e.g. CAB and MAPS to further support residents in need.

6.7 The financial impact of the recommendation set out in this report will be included in the budget setting and MTFS proposals 2022/23.

Approved by: Matthew Davis Interim Director of Finance and deputy s151 officer

7. LEGAL CONSIDERATIONS

7.1 The Head of Litigation and Corporate comments on behalf of the Interim Director of Law and Governance 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 first substantive review, detailed in this report, complies with this requirement.

7.2 The 1992 Act provides that a billing authority's Council Tax Reduction Scheme must include proscribed matters set out in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012. As a consequence the Council is required, without any exercise of discretion, to amend the CTS Scheme, to reflect any changes made to those regulations.

7.3 This report includes a recommendation that the revised and proposed CTS scheme be consulted upon to reflect both the regulations under this requirement and the other changes set-out within this report.

7.4 When a billing authority decides to revise or replace its scheme it is required to comply with the preparation requirements set-out in the 1992 Act. Any proposals over and above from what is required by statute must ensure these preparation requirements are adhered too. This includes publishing the draft scheme and consulting upon it.

7.5 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.

- 7.6 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 on behalf of the Interim Director of Law and Governance & Deputy Monitoring Officer

8. HUMAN RESOURCES IMPACT

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

Approved by: Gillian Bevan Head of HR Resources

9. EQUALITIES IMPACT

- 9.1 An equalities impact assessment has been completed and this will be reviewed after the statutory consultation has taken place and results have been analysed.

- 9.2 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 new CTS scheme

- Families with children
- Lone parents with children under 5 years
- Carers
- Full time and part time workers
- Single people and couples with children
- Single people and couples who are not working and receiving means tested benefit or Universal Credit

- 9.3 In the absence of relevant data, it is not possible at this time to determine whether there is a correlation between the aforementioned groups who may be more affected by the scheme and the equality characteristics. It is noted that consultation will be taking place with other interested stakeholders such as Citizens Advice Bureau and Money Advice and Pension Service along with groups providing welfare advice to residents. Once such consultations have taken place and feedback received with regard to the characteristics of service users of these support organisations, it will be necessary to review the impact on each protected characteristic.

- 9.4 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.

Until full Council have made their decision around what changes will be made to the existing scheme (if any), it is not possible to confirm the outcomes of an Equality Analysis. This will be updated once we are made aware of the Full Council decision in January 2022.

Approved by: Denise McCausland, Equalities Programme Manager

10. ENVIRONMENT AND CLIMATE CHANGE IMPACT

- 10.1 Failure to adopt a new simplified scheme will lead to an increase in administration. This in turn will lead to an increase use of resources.
- 10.2 Moving to an income banded scheme will result in less effort, evidence and information sharing. Further automation will be used, and as a result of this less resources will be used. And this will have a positive impact on environment and climate change.
- 10.3 The Council has a commitment to address environmental sustainability as an integral part of all activity. The Green Commitment and Environmental Procurement Policy are key relevant policies.

11. CRIME AND DISORDER REDUCTION IMPACT

- 11.1 No impact on Crime and Disorder.

12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 12.1 The current scheme is closely based on the old Council Tax Benefit scheme, so does protect the most vulnerable residents, any changes to the scheme would mean that some residents will be asked to pay more towards their Council Tax. However, the current scheme is at significant cost to the Council, and many Councils have moved away from the old CTB scheme to income banded schemes which are simpler and less complex to administer and understand.
- 12.2 It is not known how much funding the Council receives from Central Government to help pay for CTS expenditure, which is currently £35.04m. What we do know is that expenditure is increasing year on year and that funding is decreasing year on year. The Council is not in a financial position to continue with the existing CTS scheme.

12.3 The Council is therefore recommended to agree a move to an income banded CTS scheme as per this report and to consult on the revised scheme following the mayoral referendum in October 2021.

13. OPTIONS CONSIDERED AND REJECTED

13.1 Cabinet has previously considered 3 Options in relation to CTS scheme, and these are:

- Do nothing to change the existing CTS scheme
- Make slight changes to the existing CTS scheme
- Move to a new income banded CTS scheme

13.2 They have rejected the options to do nothing, or make slight changes to the existing scheme as they are not viable. They agreed to move to an income banded CTS scheme.

14. DATA PROTECTION IMPLICATIONS

14.1 None required. The new scheme uses only existing data held. No further personal data will be requested, obtained, held or published.

14.2 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

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

YES

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

BACKGROUND DOCUMENTS: None