

London Borough of Enfield

Cabinet

Meeting Date – 12th October 2022

Subject: Council Tax Support Scheme Consultation 2022/23

Cabinet Member: Cllr Tim Leaver

Executive Director: Fay Hammond

Key Decision: 5514

Purpose of Report

1. The Council is considering a proposal to change the existing Council Tax Support scheme by introducing an earned income banded scheme for households in receipt of Universal Credit in order to make the scheme fair and equitable with those who are in receipt of non Universal Credit benefits.
2. The Council is also considering increasing the minimum Council Tax payment for those in receipt of the maximum amount of Council Tax Support.
3. This report requests that the Cabinet agree to each proposal and that the decision of the Cabinet then be subject of public consultation from October to December 2022. Following public consultation, a decision on the Council Tax Support scheme for 2023/24 will be made at January Council 2024.
4. This report is to consider the proposal to consult at this stage, in accordance with Council procedures in order to meet the timeframes needed for a sufficient consultation period. These two options will be considered in January 2022, following the outcome of the consultation and once government funding levels are known.

Proposal(s)

5. That Cabinet agrees to consult on the proposal to amend Enfield's 2023/24 Council Tax Support scheme by introducing an earned income banded scheme for households in receipt of Universal Credit.
6. That Cabinet agrees to consult on increasing the minimum Council Tax payment from 24.5% to between 26.5% to 30% (i.e., an increase of between 2% to 5.5%).

Reason for Proposal(s)

7. The Council must adopt the same or new scheme by 11 March of the preceding financial year to which the scheme will apply. The reasons for the proposed change are set out in the report below.

Relevance to the Council's Corporate Plan

8. The Council Tax Support Scheme supports the cross-cutting themes of a modern council and a fairer Enfield.

Background

9. The Welfare Reform Act 2012 brought together six benefits including Housing Benefit, Working Tax Credit and Job Seekers Allowance within Universal Credit, (combining for the first time in-work and out-of-work benefits). The national roll out planned for 2013 was delayed to 2017. Initially the roll out focused on new claimants with least complex circumstances i.e., single adults not claiming for accommodation costs. Over 3m recipients of old legacy benefits were expected to transfer by 2017 but under current plans this won't be completed before 2024
10. As part of 2010 spending review the Government announced its intention to localise support for Council Tax from 2013/14 and reduce expenditure by 10%. This would replace Council Tax Benefit, a nationally funded scheme which allowed households in receipt of out of work benefits to receive 100% council tax benefit and therefore not have to pay council tax. This was not to be part of Universal Credit. The Local Government Finance Act 2012 introduced Council Tax Support. Council Tax Support is awarded as a reduction on a council taxpayers bill, like a discount or exemption, so the customer pays less or in some cases nothing.
11. At the time, funding for the replacement local schemes was reduced by 10% and Enfield faced a £5m shortfall in funding if it continued to follow the previous national policy. On the 1st of April 2013 Enfield introduced its Council Tax Support Scheme based on the Government's default scheme but with a 19.5% minimum payment for working age households to reflect the 10% funding cut (pensioners are protected from any reduction so the proportion of cut is higher than the reduction in funding).
12. Every year the Council is obliged to consider whether to revise or replace its local Council Tax Support Scheme. As a result of the consultation and Equalities Impact Assessment for the 2014/15 scheme, the Council increased the range of protected groups supported to include foster carers registered with the Council, people in receipt of Carers Allowance and people in receipt of higher rate disability benefits (Higher Rate Disability Living Allowance, Higher Rate Personal Independence Payments, and the support component of Employment Support Allowance).
13. The current minimum payment for working age households is 24.5%. Council Tax Support Scheme provides support to low-income households in Enfield.
14. Enfield currently has four distinct financial assessments within the overall scheme:
 - The statutory scheme for pensionable age claimants

- The Council's scheme to protect the disabled, carers and care leavers from making the minimum payment
- The financial assessment for working age households still in receipt of legacy benefits e.g., Income Support
- The financial assessment for working age households in receipt of Universal Credit

What are the proposals to amend the CTS Scheme in 2023/24?

Proposal 1 – An income banded scheme for households receiving Universal Credit

What is the proposal for the income banded scheme?

15. The Council is proposing to introduce an earned income banded scheme for Universal Credit households only, based on earned income and household type. By taking into account the circumstances of the household means that the scheme is able to be fair and equitable assessment of need.

16. The table below shows how much council tax households will be asked to pay based on earnings and household circumstances. The income bands are based on the current CTS awards for working households in receipt of an in-work legacy benefit e.g., working tax credit. Income bands will be updated annually in line with Government uprating of housing benefit.

Bands	Maximum CTS awarded (Not Protected group)	Maximum CTS awarded (Protected group)	Minimum Council Tax Payment to be made (Not Protected group)	Minimum Council Tax Payment to be made (Protected group)	Single Weekly net earned income	Couple Weekly net earned income	Family with 1 dependant Weekly net earned income	Family with 2 (or more) dependants Weekly net earned income
1	75.50%	100.00%	24.50%	0.00%	£0	£0	£0	£0
2	60%	84.5%	40%	15.5%	£0.01 to £95.00	£0.01 to £135.00	£0.01 to £185.00	£0.01 to £235.00
3	45%	69.5%	55%	30.5%	£95.01 to £145.00	£135.01 to £185.00	£185.01 to £235.00	£235.01 to £285.00
4	30%	54.5%	70%	45.5%	£145.01 to £195.00	£185.01 to £235.00	£235.01 to £285.00	£285.01 to £335.00
5	15%	39.5%	85%	60.5%	£195.01 and above	£235.01 and above	£285.01 and above	£335.01 and above

17. Earnings are based on net earnings as calculated within the Universal Credit award.

18. A deduction will continue to be made to CTS for certain resident adults. This is known as a non-dependant deduction. Households with savings of over £16,000 will not be eligible to claim a CTS.

Why change introduce a banded income scheme?

19. The current Council Tax Support scheme needs changing to bring the financial assessment of working households in receipt of Universal Credit in line with other CTS assessments to ensure the scheme is equitable and fair.

20. Working households receiving Universal Credit currently receive higher Council Tax Support awards than working households still in receipt of the

legacy benefits. This is because the current scheme does not reduce Council Tax Support for Universal Credit households with earnings and awards maximum Council Tax Support. This financial assessment inconsistency and inequity was caused by the way households migrated to Universal Credit. Universal Credit is a benefit which replaces six existing benefits, including both working tax credit and child tax credit. It combines in-work and out-of-work benefits to help people who are on a low income with their living costs. The roll out was delayed for several years and initially only non-working households with a change in circumstances were migrated. Full CTS was awarded to these households in line with income support, job seekers allowance etc. Migration to Universal Credit significantly increased since 2018/19 and started to include more working households.

21. CTS working age costs are estimated to stabilise during 2022/23 due to an expected reduction in working age claimants as the economy recovers from COVID although the outlook remains uncertain due to the Ukraine war and cost of living crisis. Irrespective of this, an additional 3,000 existing claimants receiving legacy benefits e.g., Income Support, Job Seekers Allowance, are expected to migrate to Universal Credit during 2022/23 which will increase CTS costs by £0.3m.
22. The Council intended to review the CTS scheme for 2020/21 before most working households transferred to Universal Credit but this was not possible or appropriate due to the pandemic. This is the earliest opportunity the Council has had to present proposals to change the scheme to residents.

Why recommend an earned income banded scheme for households in receipt of Universal Credit?

23. The Council is proposing to change the scheme for the following reasons:

Consistency and Equitable

The Government are moving more and more households on to Universal Credit. Calculations for CTS are different for those who receive Universal Credit than they are for those who do not. To ensure consistency with non-Universal Credit assessments the Council is proposing to introduce an earned income banded scheme before the migration to Universal Credit is complete. The Council believes this will help to simplify the transition for those in receipt of such benefits.

Alignment of rules with Universal Credit calculation

The proposed earned income banded scheme only considers earnings above the Universal Credit standard allowance and top up amounts for children, disability, and other additional needs. The CTS will not change if the Universal Credit allowance changes as this reflects the Government assessment of need. Income like Disability Living Allowance, War Pensions and Child Benefit will continue to be disregarded in the calculation.

Minimising the number of existing households impacted

By changing the scheme from 1st April 2023 over 80% of existing households in receipt of a CTS will not be impacted, including:

Not in-work households receiving Universal Credit. These households will continue to receive the maximum 75.5% CTS award.

Households in receipt of legacy benefits (e.g., Income Support, Job Seekers Allowance) will continue to be assessed in accordance with the CTS scheme rules aligned with Housing Benefit which consider earnings.

Pensioners will continue to be assessed in accordance with the statutory scheme

Of the current caseload it is estimated that 6,500 households out of the 35,500 total caseload will be impacted.

Modernisation

Most information required to assess the CTS for the earned income banded scheme will be available from the assessment of Universal Credit. This will keep the cost to the Council of administering the CTS scheme as low as possible, avoid the need to ask households for information they have already provided to the Department of Work and Pensions.

If income goes up or down but stays within the same band, the amount of council tax payable won't change. This reduces the regular monthly changes brought about by Universal Credit and therefore reduces the possibility of monthly council tax rebilling.

The CTS earned income assessment will use the Universal Credit household earnings figure. This will ensure consistency and transparency.

The proposal will update the basis of assessment for the working age CTS scheme to allow for the smooth transition for the remaining non-Universal Credit households. The scheme will allow for the Council to respond to Government changes to welfare benefits to be incorporated into the CTS scheme without major changes to the financial assessment process.

If implemented, what would the impact of the proposal impact be on residents?

24. The circumstances of households vary significantly so it would not be possible to provide details of the impact for all. Based on current caseload, there are 6,500 residents impacted by this change. There are a number of mitigations in place to support residents impacted by this as set out below including a one-to-one session with our debt and welfare advice team.

25. The current Draft Equalities Impact Assessment is shown at Appendix 2.

Proposal 2 – Increase the minimum payment

Why recommend an increase the minimum payment now?

26. Since the last review in 2018/19 of the minimum payment the Council's funding has significantly reduced. This is expected to continue post COVID. In

the light of continued funding reductions, it is proposed that the amount of subsidy provided to support low income working age households in paying their council tax is reduced in line with the Council's wider funding reductions to ensure the overall scheme remains affordable.

27. The Council is also proposing to review the minimum payment. The minimum payment is currently 24.5% for working age households. The proposal is consult to increase this from 24.5% to between 26.5% to 30% (i.e., an increase of between 2% to 5.5%).

28. This proposal does not impact:

- Pensioners,
- disabled and carer households protected from the minimum payment,
- working households which will be assessed under the income banded scheme proposed above.

29. The Council is consulting on reviewing the minimum payment so that an increase in minimum payment can be considered as part of a range of budget savings to balance the Council's budget. However, the decision on this option will not be considered in January 2022, following the outcome of the consultation and once government funding levels are known.

If implemented, what would the impact of the proposal impact be on residents?

30. Increasing the minimum payment in 2023/24 is estimated to reduce CTS for some 16,000 claimants in receipt of Universal Credit and legacy benefits of the current caseload. There are a number of mitigations set out below.

31. The current Equalities Impact Assessment is shown at Appendix 2.

How will the Council seek to mitigate the impact of these proposals?

32. Specific measures to mitigate the impact of the change in scheme include:

- Consulting residents about the proposed changes and asking for their views on how to mitigate any impact
- Applying any Government funded hardship
- Maintaining a discretionary Council hardship fund
- Applying the Council's Fair Debt and Income policy to the collection of council tax
- Provide a one-to-one opportunity for households on request

33. In addition, Enfield's Welfare Advice & Debt Support Team is a service that helps to support vulnerable residents to maximise their income and get their full entitlement to welfare benefits, advice and assist to support residents with council debts such as rent arrears, Adult Social Care debt, Housing benefits overpayments and Council tax arrears/debt. For other debts residents can be offered a fast-track referral process to Citizens Advice. The aim is to holistically case manage the resident's situation.

What will be the proposed consultation process?

34. The Consultation process will be for 12 weeks from mid-October to early January 2023. There are four ways in which individuals and representatives from organisations can get involved.

- Online questionnaire
- Hard copy questionnaire
- Email your feedback
- One-to-one sessions

The Council will directly email Council Tax Support households and voluntary sector groups to invite views on the consultation. Information regarding the consultation will be available at libraries as well as the Council website.

Safeguarding Implications

35. Council tax support helps households with young people or vulnerable adults to maintain council tax payment and avoid council tax arrears.

Public Health Implications

36. Council tax support has a positive impact on the general public's physical and mental health and wellbeing by supporting low-income households and helping avoid debt.

Equalities Impact of the Proposal

37. Please see Appendix 2.

Environmental and Climate Change Considerations

38. There are no specific climate change implications contained within this recommendation.

Financial Implications

39. This report proposes changes to our Council Tax Support Scheme, which are aimed at modernising the policy and keeping it equitable, taking into account the impact that Universal Credit has on the scheme. Any savings that the scheme generates will contribute towards Enfield's medium-term revenue budget gap following the outcome of the consultation. In terms of the impact on a reduction in the Council Tax Support costs, proposal 1 is anticipated to generate a reduction in costs of up to £1.3m; proposal 2 would reduce the costs by up to £0.6m (change to 30%) or £0.2m (change to 26.5%).

James Newman, Director of Finance (Corporate)

3/10/2022

Legal Implications

40. [Section 13A](#) of the Local Government Finance Act 1992 (“the 1992 Act”) requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of person, whom the billing authority considers are in financial need. The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (“the 2012 Regulations”) prescribe matters which must be included in such a scheme in addition to those matters which must be included in such a scheme by virtue of paragraph 2 of Schedule 1A to the 1992 Act. The 2012 Regulations state that councils must make reductions for certain classes of pensioners. No other groups are required to receive reductions under the 2012 Regulations.
41. As the proposed Council Tax Support Scheme for 2023/2024 will be a revision or replacement of the current scheme there is an obligation to follow the statutory requirement to consult under the 13A Local Government Finance Act 1992, which is the Act under which the Council Tax Support Schemes are formed. If there is a replacement or revised scheme, proposed, then the statutory duty to consult is mandatory.
42. Under Schedule 1A, paragraph 3 of the 1992 Act, the authority must in the following order: consult any major precepting authority that has power to issue a precept to it; publish a draft scheme; and, consult such other persons as it considers are likely to have an interest in the operation of the scheme.
 1. The Secretary of State may make regulations about the procedure for issuing a scheme (Regulation 13(4)). Under paragraph 5(2) of the 1992 Act, any revision to a scheme (once made), or replacement with another scheme, must be made by 11 March in the financial year preceding that in which the revision/replacement is to have effect. Under paragraph 8, a billing authority must have regard to any guidance from the Secretary of State in exercising functions relating to schemes. Paragraph 5(4) requires any revision to, or replacement of, a scheme, which has the effect of a reduction or removal in support for a class of persons, to include transitional provision.

Under the legislation, the local authority may not make in-year revisions and authorities should include transitional arrangements where any changes have the effect of reducing or removing a reduction to which any class of persons was previously entitled. Legal implications drafted by Dina Boodhun Senior Solicitor on 27.09.2022 for report dated received by legal services on 16.09.2022

Workforce Implications

43. Not applicable.

Property Implications

44. Not applicable

Other Implications

45. Not applicable

Options Considered

46. None

Conclusions

47. The Council proposals to amend the 2023/24 Council Tax Support scheme be the subject of resident consultation during the autumn of 2022.

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Date of report

Appendices

Appendix 1 – Council Tax Support cost increase

Appendix 2 – The Equalities Impact Assessment

Background Papers

N/A

Appendix 1 Increases in Council Tax Support Costs between 2018/19 to 2021/22

