



Report for: Cabinet

Date of Meeting:	25 July 2024
Subject:	Annual Review of the Council Tax Support (CTS) Scheme for 2025/26 Financial Year
Key Decision:	Yes
Responsible Officer:	Sharon Daniels – Strategic Director of Finance
Portfolio Holder:	Councillor David Ashton – Portfolio Holder for Finance and Highways.
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix A- Initial Equality Impact Assessment

Section 1 – Summary and Recommendations

Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, as amended by schedule 4 of the Local Government Act 2012, requires the council to review its localised Council Tax Support scheme on an annual basis. Following review of the scheme for 2025/26 it is proposed that the scheme is consulted on and changed to ensure it is affordable within the Council's reducing budget.

This report sets out the reasoning for the proposal to consult on and change the existing Council Tax Support scheme (CTS), and asks Members for authority to carry out a full consultation as required by legislation.

Recommendations:

That Cabinet:

1. To note and consider the contents of the report.
2. Authorise the Director of Finance and Assurance, in consultation with the Portfolio Holder for Finance and Highways, to:
 - finalise the scheme details and consultation documentation.
 - Consult with the Greater London Authority, and then publish the draft scheme and consult with other interested stakeholders on proposed changes to the existing scheme as set out in paragraph 2.12 below;
3. Note that a report is to be submitted to Cabinet later in the year with the results of the consultation, a full equality impact assessment, and the updated proposed scheme with a recommendation to be made to full Council to agree a scheme before 11 March 2025.

Reason:

With the financial pressures to close the budget gap, Harrow Council must look to all options, including reducing support for the Council Tax Support Scheme (CTS).

Section 2 – Report

Introduction

- 1.1 It is proposed that Harrow Council consults on the potential 2025/26 and on-going years Council Tax Support scheme so it can have the option to introduce changes and save money to contribute towards the budget gap of £10.880m and £6.732m for 2025/26 and 2026/27 as reported to Council in February 2024; alongside other cost savings and income proposals to ensure that the Council remains financially resilient and continues to support those most in need.
- 1.2 Council Tax Support (CTS) was previously funded by Central Government via grant, with the Council being responsible for the administration of it alongside Housing Benefit (HB). From April 2013,

this system changed with the introduction of a locally determined system of council tax support. There is no longer a nationally governed CTS scheme, although certain aspects of the localised scheme are prescribed by regulations.

- 1.3 Pensioners (of state pensionable age) are still protected under these arrangements. CTS for them is still controlled nationally. This means CTS can still cover up to 100% of their Council Tax bill if the individual meets certain prescribed criteria. The council is therefore not making any changes to the pensioner scheme.
- 1.4 Harrow Council has a CTS scheme in place for working age claimants which sets out the reductions which are to apply in its area to this specified class of persons whom the authority considers to be in financial need. It is this part of the scheme that a consultation is proposed to be carried out on.

Background

- 2.1 Harrow is currently facing financial pressures, and CTS for working age claimants is a discretionary scheme. As such, following consideration of a variety of savings proposals council wide, the Council also proposes to consult on an option to reduce the scheme's expenditure by £1.7m year from 1/4/2025 as part of the wider variety of savings options. Due to 20% of savings being passed onto preceptors, this would result in a saving of approximately £1.3m for the Council.
- 2.2 Legislation requires the Council to consider annually whether the Council's CTS scheme should be revised or replaced. The Council must consider whether the scheme requires changing and must do this in time to ensure it has sufficient time to consult and determine the scheme prior to the deadline set out in the legislation.
- 2.3 It is therefore appropriate that options are consulted upon to provide the Council flexibility to introduce a revised scheme in 2025/26. Consulting now will provide Cabinet the option of recommending to Council a revised scheme later on benefitting from the input of current data as well as taking into account the feedback from a new public consultation.
- 2.4 If Cabinet approves the recommendations, the Director of Finance will consult with Portfolio Holder for Finance & Highways on scheme options before the consultation starts. This will provide additional governance around the consultation process and ensure we consult with agreed appropriate stakeholders, not just the statutory bodies.
- 2.5 The following scheme principles will apply:
 - To retain the current high level of support to those who are most vulnerable
 - Ensuring everyone in the household makes a fair contribution towards funding local services via the council tax
 - Those living in higher banded properties should not receive greater levels of support than those occupying lower banded properties

- The Scheme will provide targeted support for those experiencing the greatest impacts in year 1 of the introduction of any new scheme.
- 2.6 The working age CTS caseload as at May 2024 is 8,218 households. A decision to reduce the level of funding from the CTS these households receive is recognised as being a difficult decision to make. The consultation will therefore ensure potential impacts are captured to inform the revised scheme.
- 2.7 A range of options to amend the Council Tax Support Scheme have been considered. These have included changing the value of the income band thresholds, reducing the maximum award for non-protected and protected households, restricting council tax support to a higher council tax band, adopting minimum weekly entitlement amounts, and increasing non dependent deductions. However, none of these options alone may achieve the required level of savings. A proposed option amalgamating these possible changes is set out in this report.
- The consultation will seek to ensure all stakeholders are aware of the proposals and have opportunity to feed in and shape the revised CTS scheme. The consultation will intend to engage with the Voluntary and Community Sector both to capture their and their service users views of the proposals, but also to identify barriers people may have to be able to engage with the consultation and how these barriers may be reduced.
- 2.8 Consulting now will provide Harrow with the views of those who use the scheme, the views of other interested stakeholders such as council tax payers and preceptors, the opportunity to introduce a scheme that meets the £1.6m gross saving target and that is fit for purpose whilst ensuring it is in place in good time before the new financial year commences.
- 2.9 As such, it is appropriate and necessary for Cabinet to allow a consultation to take place now to ensure Harrow has the flexibility to change the scheme if it chooses to do so for the financial year 2025/26.
- 2.10 The report is asking for authority to consult. Any decision to implement the proposed scheme after consultation will need to be referred back to Members in a report to November/December 2024 for Cabinet to recommend to Council for the scheme to be adopted/rejection.

Potential option for consultation

Set out below at paragraph 2.12 is the proposed option for consultation.

Current Universal Credit CTS scheme

- 2.11 The current working age scheme is split between those in receipt of Universal Credit and those not in receipt of Universal Credit. As the managed migration of Universal Credit will be completed by December 2025, noting the revised CTS scheme will be implemented from April 2025, the options for change are focused on the Universal Credit scheme. While the types of changes set out will also be applied to the

non-Universal Credit scheme, it is anticipated that the number of households remaining on that scheme once the migration to Universal Credit is complete will be approx. 141.

The non-Universal Credit scheme is a means tested scheme that uses the same maximum rate of award, the same cap to a council tax band and the same rate of non-dependant deduction increases as the Universal Credit scheme. It also retain any equivalent protection for the vulnerable group.

London Borough of Harrow's full Council Tax Support scheme can be found here [Harrow's Council Tax Support Schemes – Council Tax Support – London Borough of Harrow](#)

A summary of the current Universal Credit CTS scheme is set out below:

Category A: vulnerable* households receive 86% of council tax liability through CTS less any non-dependant deductions**.

Category B: any non-vulnerable household who is in receipt of maximum Universal Credit receive 70% of council tax liability through CTS less any non-dependant deductions**.

Categories C – F: households are placed in a category depending on the household make-up and then into an income band depending on the combined net earned/self-employed income of the claimant and partner. They will then receive the associated percentage reduction of their council tax liability through CTS less any non-dependant deductions**.

- **Claimant category A – UC disabled*** – CTS award is **86% of weekly eligible CT** payable (less non-dependant deduction if applicable)
- **Claimant category B** – in receipt of maximum UC – CTS award is **70% of weekly eligible CT** (less non-dependant deduction if applicable)
- **Claimant categories below** - CTS award is the corresponding % of weekly eligible CT in line with weekly net income (less non-dependant deduction if applicable)

	Claimant Category C		Claimant Category D		Claimant Category E1		Claimant Category E2		Claimant Category F1		Claimant Category F2
Percentage award of weekly eligible Council Tax	Single people without children - weekly net income	Percentage award of weekly eligible Council Tax	Childless couples - weekly net income	Percentage award of weekly eligible Council Tax	Lone parents with up to 2 children - weekly net income	Percentage award of weekly eligible Council Tax	Lone parents with 3 or more children - weekly net income	Percentage award of weekly eligible Council Tax	Couples with up to 2 children - weekly net income	Percentage award of weekly eligible Council Tax	Couples with 3 or more children - weekly net income
70%	£0-£75	70%	£0-£75	70%	£0-£100	70%	£0-£100	70%	£0-£125	70%	£0-£125
60%	£75.01-£125	60%	£75.01-£125	60%	£100.01-£140	60%	£100.01-£150	60%	£125.01-£165	65%	£125.01-£150
40%	£125.01-£175	55%	£125.01-£175	55%	£140.01-£175	55%	£150.01-£200	55%	£165.01-£200	60%	£150.01-£200
0%	>£175	40%	£175.01-£225	40%	£175.01-£225	45%	£200.01-£275	40%	£200.01-£250	50%	£200.01-£275
		0%	>£225	30%	£225.01-£275	30%	£275.01-£325	30%	£250.01-£300	35%	£275.01-£375
				0%	>£275	0%	>£325	20%	£300.01-£375	20%	£375.01-£425
								0%	>£375	0%	>£425

The minimum award that will be made is £2 a week

* UC Working age disabled Working Age Vulnerable and War Pension recipients (working age) –

Which consists of households where the customer and partner has earned income less than £440 per week and where the claimant, a

partner or a dependent child is physically or mentally disabled and receives one of the following: Personal Independence Payments, Disability Living Allowance, Employment Support Allowance (Support group), Incapacity Benefit, Mobility Supplement, Severe Disablement Allowance, people who are registered blind; people who live in a property which has been granted a disabled band reduction; or anyone who is working age and receives War Disablement Pension or War Widows Pension., Claimant and/or partner has been awarded the Limited Capability for Work and Work related Activity (LCWRA) component within their Universal Credit award

****A non-dependant deduction is an amount the CTS entitlement is reduced by in respect to any other adults living in the claim household other than the claimant or partner. The rate of the deduction is dependant on the income of the other adult as set out in the table below. If the claimant or partner are in receipt of Disability Living Allowance Care Component or the Daily Living element of Personal Independence Payment, no deduction will be taken**

	Current
Non-Dependant Income	Working age – Universal Credit CTS scheme
Aged under 25 and on IS, JSA(IB), ESA(IR) assessment phase or maximum Universal Credit	£3.30
Aged 25 or over and on IS/JSA(IB) or maximum Universal Credit	£3.30
Aged 18 or over and not in remunerative work	£3.30
In receipt of main phase ESA(IR)	£3.30
In receipt of ESA (C)	£3.30
In receipt of JSA (C)	£3.30
In receipt of Pension Credit	£3.30
In work but earning less than £144	£3.30
Gross income not less than £144.00 but less than £256.00	£13.10
Gross income not less than £256.00 but less than £445.00	£13.10
Gross income not less than £445.00 but less than £554.00	£13.10
Gross income not less than £554.00	£13.10

2.12 Proposed change: reduce the maximum rate of award for all non-vulnerable working age households to 50%

This proposal would achieve £1.7m savings gross, which equates to £1.3 for the Council once the preceptor is paid

This proposal will:

- Retain the 86% maximum rate of award for vulnerable households

- Reduce the maximum rate of award for all non-vulnerable working age to 50% and proportionately reduce all of the rates of award against each of the income bands
- Cap the maximum rate to be used in the CTS assessment for non-vulnerable households at equivalent to Band D
- Increase non-dependant deductions for all CTS households including vulnerable by the rate of RPI annually since they were last reviewed in 2019/20. Non-dependant deductions will then be updated annually by which ever is higher of CPI or RPI

2.13 This proposal retains protection up to 86% for those households classified as vulnerable under the scheme (see Current Scheme above for definition of vulnerable). The proposed scheme would reduce the maximum amount that could be awarded to a non-vulnerable household to 50% in place of the current 70%. The amount awarded will be dependant on the combined net earned income for the claimant and partner if there is one.

The table below sets out the revised rates within this proposal Where the claim remains on the non-Universal Credit scheme, the amount of council tax used in the means tested calculation will reduce from 70% to 50%.

In the current scheme, the percentage of CTS awarded is based on the full council tax liability once any discounts have been applied. It is proposed to apply a cap to the maximum amount of council tax to be used in the calculation to equivalent to a Band D charge for non-vulnerable households.

2.14 Non-dependant deductions will be increased by the annual rate of RPI year on year since they were last reviewed in 2019/20. The revised rates of non-dependant deductions are set out in the table below. This uprating will be applied to all working age CTS households. The protection for households where the claimant or partner receive Disability Living Allowance Care Component or the Daily Living element of Personal Independence Payment to not have non-dependant deductions applied will remain. From 2026/27 onwards, non-dependant deductions will be updated annually by which ever is higher of CPI or RPI.

2.15 The table below sets out the revised non-dependant deductions for households on the Universal Credit scheme

	Weekly rate for each non-dependant	
	Current	Uprated
Non-dependant income type		
In receipt of a passported benefit (maximum Universal Credit, Income Support, Job Seekers Allowance(IB), Employment Support Allowance (IR), Pension Credit); or Job Seekers Allowance or Employment Support Allowance (contribution based); or	£3.30	£4.40

in work earning less than £144 a week		
Gross earned income not less than £144 a week	£13.10	£18.10

The minimum value of award of £2 a week will remain.

Impacts

2.16 The consultation intends to engage with stakeholders to capture the potential impacts of the proposed changes. This information will feed into an Equality Impact Assessment to inform the decision when the revised scheme is submitted to Cabinet for consideration.

However, there are some potential impacts that can be identified at this stage on the basis of the proposal included in this report and set out in the attached Equality Impact Assessment.

The modelling that has been carried out is a reasonable indicator of which households may potentially be impacted. It should however be recognised that it is modelling so the impacts are only estimates based on the caseload as it is in April 2024. The caseload is expected to change by the time the scheme goes live in April 2025 with the most notable change being that the majority of working age households in receipt of means tested benefits will have migrated to Universal Credit.

Impacts are largely based on the working age caseload as a whole. However, individual impacts are focused on those households that have already migrated onto Universal Credit to give a fair representation of how the majority will be impacted once the managed migration to Universal Credit is complete.

2.17 The table below sets out the number of households who would potentially be impacted by the proposal set out in this report

Working age CTS household type	Number of households
Not classified as vulnerable	4,195
Classified as vulnerable	4,023
Total	8,218
Negatively impacted	4,432*
Vulnerable seeing no change	3,786
Total	8,218
Vulnerable impacted by proposed uprating to non-dependant deductions	237*

2.18 Only limited data is held in respect to some protected characteristics. The consultation will therefore seek to understand whether there are potentially groups with protected characteristics who could be adversely impacted and what these impacts might be.

2.19 Under the above proposal approximately 4,432 working age Council Tax Support households will have to pay more toward their council tax than they do currently. It is recognised that this could be difficult for some households, so consideration is being given to potential mitigations for those most in need. Possible additional support under consideration is:

- Phased implementation of the changes to give households time to adapt to paying more toward their council tax.
- A hardship fund of £0.1m to £0.125m to provide additional financial assistance to households who experience extreme financial difficulty and are unable to pay their full council tax charge
- Welfare advice to assist households in managing their finances e.g. through a benefit check

Consultation strategy

2.20 A consultation strategy will be developed to ensure the consultation is inclusive and gives all stakeholders an opportunity to give their views.

The Local Government Finance Act 1992 sets out the following requirement in respect to Council Tax Support review in Schedule 1A Para 3 (1):

- (a) consult any major precepting authority which has power to issue a precept to it,
- (b) publish a draft scheme in such manner as it thinks fit, and
- (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

The above actions will therefore be carried out in the order stated. The consultation will run for 12 weeks, 5 August 2024 to 27 October 2024.

2.21 A pre-consultation meeting will be held with the Voluntary and Community Sector to hear of potential barriers for some groups of affected people to access the consultation and how these barriers could be addressed. It will also be an opportunity to start to understand which groups with protected characteristics may be impacted and how to effectively engage with these groups to ensure their views can be fed into the consultation.

2.22 The consultation is expected to include:

- Event with Voluntary and Community Sector groups
- Public events for the public to attend including with VCS user groups
- Mailshot to all impacted working age Council Tax Support claimants
- Online survey through MyHarrow Talk
- Hardcopy questionnaire for anyone unable to use the online service
- Easy Read version of the consultation document
- Publicity e.g. posters in libraries
- Media articles including newsletters, social media
- Video explanations

- Consultation email box for queries
- 2.23 The consultation will ask respondents for their views on proposed options, what they believe the potential impacts might be and what they may want to see done to help address the impacts.
- 2.24 Stakeholders who will be targeted in the consultation are
- Greater London Authority as preceptor
 - Working age Council Tax Support households
 - Voluntary and Community Sector organisations in particular those whose client groups may be affected by the changes including:
 - Harrow Together
 - Voluntary Action Harrow
 - Harrow VCS Forum
 - Young Harrow Foundation
 - Citizens Advice Harrow
 - Harrow Association of Disabled People
 - Harrow MENCAP
 - MIND in Harrow
 - Harrow Carers
 - Harrow Law Centre
 - Internal Council services including Council Tax, Adults, Childrens and Housing as well as Councillors
 - Other Harrow residents
- 2.25 Events will be held in areas of the borough where higher numbers of potentially impacted households reside to ensure the consultation is accessible.

Timetable for Consultation

Date	Action
23/07/2024	Performance & Finance Overview & Scrutiny sub-committee
25/07/2024	Cabinet
26/07/2024	Consult with GLA
31/07/2024	Publish draft scheme
05/08/2024	Consultation start (12 weeks)
27/10/2024	Consultation ends
17/12/2024	Cabinet
19/12/2024	Performance & Finance Overview & Scrutiny sub-committee
27/02/2025	Full Council
11/03/2025	Scheme must legally be agreed prior to 11 March
31/03/2025	Publish revised scheme
01/04/2025	Scheme launch

Legal Background

Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, (the “1922 Act”) as inserted by Schedule 4 to the Local Government Finance Act

2012, requires the authority to consider whether, for each financial year, the CTS scheme is to be revised or replaced.

Where the scheme is to be revised or replaced the procedural requirements in paragraph 3 of schedule 1A of the 1992 Act applies. Any revision/replacement must be determined by 11th of March in the preceding year to the year which the changes are to apply.

Having decided that the scheme needs to be changed, the Council must consult with the GLA, publish a draft scheme and then consult with such persons who are likely to have an interest in the operation of that scheme prior to determining the scheme before 11th of March. This report recommends that authority to consult is granted.

If any proposed revision to the scheme is to reduce or remove a reduction to which a class of person is entitled, paragraph 5 of Schedule 1A of the 1992 Act requires that the revision must include such transitional provision as the Council sees fit.

Pursuant to section 67(2)(aa) of the 1992 Act, the making or revision of a council tax reduction scheme is a function to be discharged only by the authority, ie, by full Council.

Financial Implications

Reducing the cost of the CTS scheme is one of many options to close the budget gap for the coming year. It is essential that the consultation takes place in order for any savings from changes to the scheme to be able to be considered as part of budget deliberations. The savings anticipated from implementing a new scheme are estimated to be £1.3m in 2025/26.

The consultation will need extra resources to run the complex and quite technical project. As such funding has been set aside to cover the one off costs up to £160k.

It is also expected that a hardship fund will need to be created in 2025/26 as a one off mitigation to support claimants who may experience financial hardship. This will cost between £100k - £125k which will reduce the savings in year one.

Performance Issues

At this stage there are no performance issues.

Environmental Implications

There are no direct environmental impacts anticipated from the recommendations contained within this report.

Data Protection Implications

There are no direct data protection impacts anticipated from the recommendations contained within this report.

Procurement Implications

There are no procurement impacts anticipated from the recommendations contained within this report.

Risk Management Implications

Risks included on corporate or directorate risk register: **Yes** - as part of the Medium Term Financial Strategy (MTFS)

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below.
N/A

The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG
The locally determined and discretionary system of council tax support is subject to national/central govt. change for 2025/26	<ul style="list-style-type: none">▪ If this scenario arose a new consultation would be scheduled and a linked project plan developed to give effect to any changes	GREEN
Cabinet does not agree policy change	<ul style="list-style-type: none">▪ Members briefed and understand impact and risks to MTFS and overall Council Finances	GREEN
Consultation not carried out regarding CTS changes	<ul style="list-style-type: none">▪ Consultation scheduled and project plan developed	GREEN
Risk of successful challenge to LBH CTS scheme following changes being agreed	<ul style="list-style-type: none">▪ Consultation will be inclusive with all impacted stakeholders and the feedback shared with Members to inform any decision before it is made▪ Advice sought from Legal Services consultation process and scheme design to reduce or mitigate risk of any potential challenge via Judicial review.	AMBER
Risk to council tax collection rates & impact on council tax payers	<ul style="list-style-type: none">▪ Hardship fund in place to help mitigate impact for those experiencing financial hardship and unable to pay	GREEN

Equalities implications

An initial EQIA has been carried out, which is attached as an Appendix to this report.

A detailed Consultation Strategy will be developed for approval by the Finance & Human Resources Portfolio Holder to ensure the consultation is inclusive and captures the views of all potentially impacted groups. This will inform the Equality Impact Assessment that will be carried out as part of the consultation process. This will provide analysis of how the protected characteristics are impacted and will be maintained during the consultation and decision process and updated accordingly.

Council Priorities

The report addresses the Council's corporate priorities as the change to the CTS scheme will ensure additional monies are available to close the financial gap and improve the Council's financial position.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels

Signed by the Chief Financial Officer

Date: 2 July 2024

Statutory Officer: Baljeet Virdee

Signed on behalf of the Monitoring Officer

Date: 2 July 2024

Chief Officer: Alex Dewsnap

Signed by the /Managing Director

Date: 2 July 2024

Head of Procurement: Nimesh Mehta

Signed on by the Head of Procurement

Date: 24 June 2024

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: YES

A detailed Consultation Strategy will be developed for approval by the Finance & Human Resources Portfolio Holder to ensure the consultation is inclusive and captures the views of all potentially impacted groups. This will inform the Equality Impact Assessment that will be carried out as part of the consultation process.

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Fern Silverio (Head of Service – Collections & Housing Benefits), Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee: NO