

Community Wealth Building Department
7 Newington Barrow Way,
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Report of: Corporate Director of Community Wealth Building

Meeting of: Policy & Performance Scrutiny Committee

Date: 26 January 2023

Ward(s): All

Subject: The Council Tax Support Scheme for 2024/25

1. Synopsis

- 1.1. This report provides an update on options explored thus far, for potential changes to our Council Tax Support Scheme (CTSS) in 2024/25. We are looking at banded schemes, with five schemes modelled to date that are summarised in this report. There are three models that cost more than our current scheme cost in 2024/25 and two models that are a lower cost. This is the initial modelling completed, further analysis will be conducted to bring forward proposals.
- 1.2. Islington's CTSS is an important part of the safety net we offer to help support and protect low-income households. The CTSS reduces the amount of council tax a person has to pay based on an assessment made by Islington Council

- 1.3. The Council's current CTSS protects pensioners in order that their Council Tax Support is broadly the same as they would have received in council tax benefit, being a 100% scheme. In 2022/23, for working age households, the Council reduced the cap from 8.5% to 5%. This increased from 91.5% to 95% the level of support they would have been entitled to under the old council tax benefit rules.
- 1.4. The Council is conducting this review at a time when we know many of our households are struggling with the impact of the cost-of-living crisis. Although many of these households have faced financial challenges for many years. It is our intention to review the CTSS, aiming to ensure resources are targeted at those most in need. This will include updating to a 100% scheme for working age households that will be a banded scheme offering different levels of support based on financial need.
- 1.5. Any forthcoming proposals will be subject to public consultation and agreement at Full council in December 2023.
- 1.6. Subject to agreement, we expect a banded scheme to be simpler to administer and a related savings proposal has been agreed. The proposed saving would have no impact on the sums available for the core scheme.

2. Recommendations

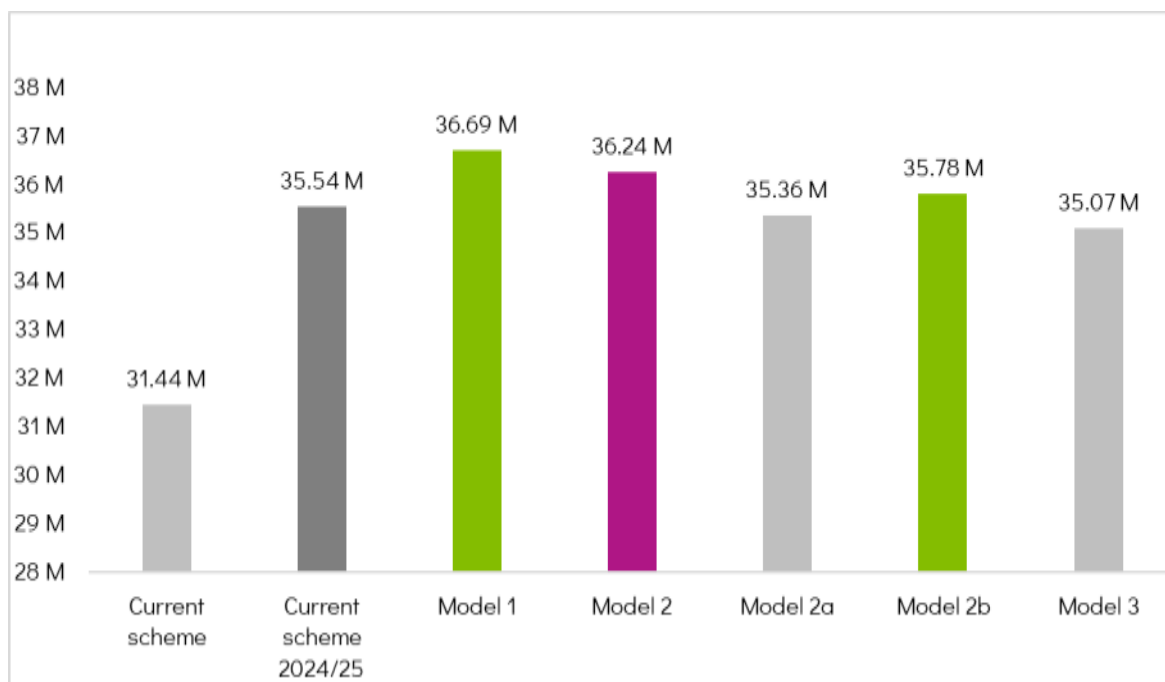
- 2.1. To note the banded schemes modelled to date and provide any feedback on these current models to help inform the Council's recommended way forward.

3. Background

- 3.1. Modelling of alternative CTSS options has assumed a 4.99% increase in council tax liability in 2023/24 and 2024/25, along with benefit uprating of 10.1% for 2023/24 and 5.4% for 2024/25 (based on projected CPI inflation figures).
- 3.2. Maintaining the current scheme into 2024/25 would increase costs from the current £31.44m to £35.54m, an increase of £4.10m or 13.04%. The large increase in costs is driven by the increase in council tax liability and the benefit uprating through to 2024/25.

- 3.3. The graph below in 3.4, illustrates the increase in cost for the current scheme for 2024/25. The current new options modelled are shown as model 1, model 2, model 2a, model 2b and model 3. The overall cost of each model scheme is shown as at 2024/25.
- 3.4. In summary the five models work in the same way as our current scheme for pensioners as they already have a 100% scheme. For working age there is a banded scheme with variations for each model.
- Model 1 – Moves those on passported benefits as per our current policy or earning less than £40 per week into a 100% discount band, with earnings additions for couples and children of £40 per week. There are seven earnings bands in total. In this model, all housing tenures receive a higher average CTS award compared to our current policy in 2022/23 and compared to our current policy projected to 2024/25. This scheme would cost £1.15m per year more than the current scheme in 2024/25, so additional funding would be required.
 - Model 2 – Passports those on benefits with disability premiums and single parents with a child under five into a 100% discount band. Jobseekers are placed in band 2 with a 95% discount. There are six bands in total, with additions of £40 per week for couples and children. In this model, all housing tenures receive a higher average CTS award compared to our current policy in 2022/23 and compared to our current policy projected to 2024/25. This scheme would cost £700k per year more than the current scheme in 2024/25, so additional funding would be required.
 - Model 2a – Passports households on legacy benefits receiving PIP/DLA, households on Universal Credit with limited capability for work and single parents with a child under five into a 100% discount band. Jobseekers are placed in band 2 with a 95% discount. There are seven bands in total, with additions of £25 per week for couples and children in band 3, with additions of £40 per week for bands 4 to 7. In this model, all housing tenures receive a higher average CTS award compared to our current policy in 2022/23. Compared to our current policy projected to 2024/25, council tenants, supported housing and temporary accommodation tenants receive a higher average award. Tenants in the private sector and housing association tenants receive a slightly reduced award on average. This scheme would cost £180k per year less than the current scheme in 2024/25, so no additional funding would be required.

- Model 2b – Passports those on benefits with disability premiums and single parents with a child under five into a 100% discount band. Jobseekers are placed in band 2 with a 95% discount. There are six bands in total, with additions of £20 per week for couples and children. In this model, all housing tenures receive a higher average CTS award compared to our current policy in 2022/23 and compared to our current policy projected to 2024/25, except housing association tenants who see an average reduction of £0.01p per week compared to our current policy projected to 2024/25. This scheme would cost £250k per year more than the current scheme in 2024/25, so additional funding would be required.
- Model 3 – Passports households on legacy benefits receiving PIP/DLA, households on Universal Credit with limited capability for work and single parents with a child under five into a 100% discount band. Jobseekers are placed in band 2 with a 95% discount. Earnings override passported status. There are seven bands in total, with additions of £25 per week for couples and children in band 3, with additions of £40 per week for bands 4 to 7. In this model, all housing tenures receive a higher average CTS award compared to our current policy in 2022/23. Compared to our current policy projected to 2024/25, council tenants, supported housing and temporary accommodation tenants receive a higher average award. Tenants in the private sector and housing association tenants receive a slightly reduced award on average. This scheme would cost £470k per year less than the current scheme in 2024/25, so no additional funding would be required.



3.5. Model 1 is a banded scheme (see table below), taking into account net earnings, with earnings bands set loosely based on the Universal Credit work allowance. Flat rate non-dependent deductions are introduced at £7.50 per week. The bandings for model 1 are shown below. Those on passported benefits will be placed in band 1. Net earnings will dictate the band you are placed in with additions for couples and those with children. The discount applied to the council tax liability ranges from 100% to 20% dependant on the band.

	Weekly earnings				
Band	Single	Couple addition	1 child addition	2+ children addition	Discount
1	£0-£40 + passported	£40.00	£40.00	£80.00	100%
2	£40-£80	£40.00	£40.00	£80.00	90%
3	£80-£120	£40.00	£40.00	£80.00	80%
4	£120-£160	£40.00	£40.00	£80.00	65%
5	£160-£200	£40.00	£40.00	£80.00	50%
6	£200-£240	£40.00	£40.00	£80.00	35%
7	£240-£280	£40.00	£40.00	£80.00	20%

3.6. The number of households that fall into each band in model 1 is illustrated in the table below.

Band	No. households	% households	% discount	Average weekly CTS
1	15078	84.2	100	£29.46
2	644	3.6	90	£27.21
3	739	4.1	80	£24.71
4	560	3.1	65	£19.35
5	345	1.9	50	£15.00
6	230	1.3	35	£11.01
7	117	0.7	20	£6.99
Losing support	187	1.0	0	£0.00
Total	17900			

3.7. Model 1 increases total scheme costs by £1.15m in comparison to costs if the current scheme were to be retained into 2024/25. Average Council Tax Support for working age households under Model 1 increases by 4.65% compared to the current scheme maintained into 2024/25. The increase in costs is driven by the increase in the maximum amount of support from 95% to 100% of council tax liability, plus the increase in council tax liability by 4.99% each year.

3.8. Model 2 is a banded scheme (see table below), taking into account net earnings. Flat rate non-dependent deductions are introduced at £7.50 per week. Compared to Model 1, model 2 moves non-passported earning households from the 100% discount band into a 95% discount band. It also removes band 7 entirely and reduces the band 6 discount from 35% to 20%. Passported households are those with limited capability to work and single parents with a child under 5.

	Weekly earnings				
Band	Single	Couple addition	1 child addition	2+ children addition	Discount
1	Passported	Passported	Passported	Passported	100%
2	£0-£40	£40.00	£40.00	£80.00	95%
3	£40-£80	£40.00	£40.00	£80.00	90%
4	£80-£120	£40.00	£40.00	£80.00	75%
5	£120-£160	£40.00	£40.00	£80.00	60%
6	£160-£200	£40.00	£40.00	£80.00	20%

3.9. The number of households that fall into each band in model 2 is illustrated in the table below.

Band	No. households	% households	% discount	Average weekly CTS
1	10225	57.1	100	£30.16
2	5296	29.6	95	£26.95
3	534	3.0	90	£27.08
4	627	3.5	75	£22.99
5	500	2.8	60	£17.68
6	299	1.7	25	£5.93
Losing support	419	1.2	0	£0.00
Total	17900			

3.10. Model 2 increases total scheme costs by £0.70m in comparison to costs if the current scheme were to be retained into 2024/25. Average Council Tax Support for working age households under Model 2 increases by 2.81% compared to the current scheme maintained into 2024/25. The increase in costs is driven by the increase in the maximum amount of support from 95% to 100% of council tax liability, plus the increase in council tax liability by 4.99% each year. Savings are made from Model 1 as 4,823 households move from band 1 to band 2, the band 6 discount is reduced from 35% to 20%, and band 7 is dropped.

3.11. Model 2a is a banded scheme (see table below), taking into account net earnings. Flat rate non-dependent deductions are introduced at £7.50 per week. Compared to Model 2, model 2a keeps the band discounts but moves each earnings threshold down one band, leaving band 2 for those non-passported with zero earnings only. The earnings threshold for band 3 is reduced from £40 per person to £25. A 40% band is introduced at band 6 to soften the cliff edge in support as people move up the earnings spectrum.

	Weekly earnings				
Band	Single	Couple addition	1 child addition	2+ children addition	Discount
1	Passported	Passported	Passported	Passported	100%
2	£0 earnings	£0 earnings	£0 earnings	£0 earnings	95%
3	£1-£25	£25.00	£25.00	£25.00	90%
4	£25-£80	£40.00	£40.00	£80.00	75%
5	£80-£120	£40.00	£40.00	£80.00	60%
6	£120-£160	£40.00	£40.00	£80.00	40%
7	£160-£200	£40.00	£40.00	£80.00	20%

3.12. The number of households that fall into each band in model 2a is illustrated in the table below.

Band	No. households	% households	% discount	Average weekly CTS
1	8,827	49.3	100	£29.86
2	5,677	31.7	95	£27.29
3	463	2.6	90	£27.86
4	965	5.4	75	£23.10
5	651	3.6	60	£18.53
6	515	2.9	40	£11.77
7	329	1.8	25	£5.96
Losing support	473	2.6	0	£0.00
Total	17900			

3.13. Model 2a decreases total scheme costs by £0.18m in comparison to costs if the current scheme were to be retained into 2024/25. Average Council Tax Support for working age households under Model 2a decreases by 0.72% compared to the current scheme maintained into 2024/25. The increase in costs is driven by the increase in the maximum amount of support from 95% to 100% of council tax liability. Savings are made from Model 2 as there are fewer households in bands 2 and 3, and the earnings threshold for the 90% band is narrower.

3.14. Model 2b is a banded scheme (see table below), taking into account net earnings. Flat rate non-dependent deductions are introduced at £7.50 per week. Model 2b has the same bands and discounts as Model 2 but with the couple and child additions to each threshold reduced from £40 to £20 for each additional person.

Band	Weekly earnings				Discount
	Single	Couple addition	1 child addition	2+ children addition	
1	Passported	Passported	Passported	Passported	100%
2	£0-£40	£20.00	£20.00	£40.00	95%
3	£40-£80	£20.00	£20.00	£40.00	90%
4	£80-£120	£20.00	£20.00	£40.00	75%
5	£120-£160	£20.00	£20.00	£40.00	60%
6	£160-£200	£20.00	£20.00	£40.00	20%

3.15. The number of households that fall into each band in model 2b is illustrated in the table below.

Band	No. households	% households	% discount	Average weekly CTS
1	10225	57.1	100	£30.16
2	5043	28.2	95	£26.73
3	428	2.4	90	£25.97
4	596	3.3	75	£23.14
5	632	3.5	40	£17.46
6	439	2.5	20	£6.34
Losing support	537	3.0	0	£0.00
Total	17900			

3.16. Model 2b increases total scheme costs by £0.25m in comparison to costs if the current scheme were to be retained into 2024/25. Average Council Tax Support for working age households under Model 2b increases by 1.12% compared to the current scheme maintained into 2024/25. The increase in costs is driven by the increase in the maximum amount of support from 95% to 100% of CT liability. Savings are made from Model 2 due to the narrower earnings thresholds for larger households.

3.17. Model 3 is a banded scheme (see table below), taking into account net earnings. Flat rate non-dependent deductions are introduced at £7.50 per week. Model 3 is the same as Model 2a but earnings override passported status, so households that were passported in Model 2a but are in work are placed into the relevant band for their earnings level.

	Weekly earnings				
Band	Single	Couple addition	1 child addition	2+ children addition	Discount
1	Passported and £0 earnings	Passported	Passported	Passported	100%
2	£0 earnings	£0 earnings	£0 earnings	£0 earnings	95%
3	£1-£25	£25.00	£25.00	£25.00	90%
4	£25-£80	£40.00	£40.00	£80.00	75%
5	£80-£120	£40.00	£40.00	£80.00	60%
6	£120-£160	£40.00	£40.00	£80.00	40%
7	£160-£200	£40.00	£40.00	£80.00	20%

3.18. The number of households that fall into each band in model 3 is illustrated in the table below.

Band	No. households	% households	% discount	Average weekly CTS
1	8,311	46.4	100	£29.79
2	5,677	31.7	95	£27.29
3	642	3.6	90	£27.56
4	1,136	6.4	75	£23.04
5	717	4.0	60	£18.60
6	544	3.0	40	£11.88
7	357	2.0	25	£6.02
Losing support	516	2.9	0	£0.00
Total	17900			

3.19. Model 3 decreases total scheme costs by £0.47m in comparison to costs if the current scheme were to be retained into 2024/25. Average Council Tax Support for working age households under Model 3 decreases by 2.11% compared to the current scheme maintained into 2024/25. The cost of the increase in the maximum amount of support from 95% to 100% of council tax liability is offset by decreases in support for households in other bands. Savings are made from model 2a as there are fewer households in band 1, as earnings override passporting in this model.

4. Implications

4.1. Financial Implications

The council currently provides 95% CTS to low income working aged households. The total cost of CTS is currently £31.4m, of which £9.5m relates to pension age recipients who receive 100% support.

The table below summarises the cost to the council under each option based on the current (2022/23) share of costs between the council (76.9%) and Greater London Authority (GLA) (23.1%). The modelling assumes a 4.99% council tax increase in 2023/24 (based on the budget proposals considered by the Executive on 12 January 2023) and a further 4.99% increase in 2024/25 (based solely on current government assumptions for that financial year). The actual cost to the council in a given financial year would depend on the actual level of council tax and working aged caseload.

Summary of CTSS Alternative Modelling Options for 2024/25 (Contained within Main Report)

	Current Scheme	Model 1	Model 2	Model 2a	Model 2b	Model 3
	£m	£m	£m	£m	£m	£m
Total CTS Costs	35.54	36.69	36.24	35.36	35.78	35.70
Additional Costs/(Savings)	-	1.15	0.70	(0.18)	0.25	(0.47)
LBI Share	-	0.88	0.54	(0.14)	0.19	(0.36)

Any foregone/additional income as a result of increases/decreases in the cost of CTS impacts the council's annual budget via the Collection Fund for council tax income.

There is a £250k saving assumed for 2024/25 as set out in the draft budget report to Executive on 12 January 2023. This was calculated on the basis that a banded scheme is introduced and is simpler to administer with the saving relating to reduced staffing.

Once the final banded scheme is agreed, any additional cost/benefit arising directly from the new scheme would increase/decrease the council's budget gap for 2024/25 and over the medium term.

4.2. **Legal Implications**

The Council Tax Support Scheme is considered to be lawful. The requirement now is for full Council to agree the scheme for its continuing adoption from 1 April 2024 for the full 2024/25 council tax year.

The Council must have due regard to the Public Sector Equality Duty, which is integral to the Council's functions, and which is set out in Section 149 of the Equality Act 2010 as follows:

- 1) A public authority must, in the exercise of its functions, have due regard to the need to —
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it...

- 2) Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to-
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;

(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

3) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

4) Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to –

(a) tackle prejudice, and

(b) promote understanding.

5) Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

6) The relevant protected characteristics are-

(a) age;

(b) disability;

(c) gender reassignment;

(d) pregnancy and maternity;

(e) race;

(f) religion or belief;

(g) sex;

(h) sexual orientation.

The equality implications of the proposed scheme for 2024/25 are detailed in section 4.4. and a full equality impact assessment must be completed as noted.

4.3. **Environmental implications and contributions to achieving a net zero carbon Islington by 2030**

4.3.1 Not applicable

4.4 **Equalities Impact Assessment**

4.4.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of

opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A full Equalities Impact Assessment will be completed on any new proposal for the CTSS. There will be public consultation on any new proposal, the outcome of which will form part of the information that goes forward to Full council in December 2023 for a decision on the CTSS for 2024/25.

5. Conclusion and reasons for recommendations

- 5.1 This report updates the Committee on the CTSS banded scheme options for 2024/25 modelled to date.
- 5.2 The report recommends that the Committee note the CTSS banded scheme options and provide any feedback on these.

Appendices:

Final report clearance:

Signed by:



Stephen Biggs, Corporate Director, Community Wealth Building

Date: 18 Jan 2023

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