

Community Wealth Building Department
7 Newington Barrow Way,
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Report of: Deputy Leader and Executive Member for Finance,
Planning & Performance

Meeting of: Full Council

Date: 14 December 2023

Ward(s): All

Subject: The Council Tax Support Scheme for 2024/25

1. Synopsis

- 1.1. The Council Tax Support Scheme for 2023/24 was agreed by Council on 8 December 2022. The Scheme has to be agreed by full Council by the 11 March for each subsequent year.
- 1.2. Public consultation took place between the 18 July 2023 to 10 September 2023 on a new Council Tax Support Scheme (CTSS) for 2024/25.
- 1.3. This report sets out the results from the consultation and the recommendation to change the CTSS in 2024/25 to a banded scheme for working age households.
- 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 financial challenge is not new for many of these households. The recommended model will target resources at those most in need, including providing a 100% discount for our most financially vulnerable working age households, taking them out of paying any council tax.

- 1.5. The proposed changes are also designed to reflect the changing welfare benefits system, with more working age households moving on to universal credit. The recommended banded scheme will mean less frequent changes in CTSS entitlement for those households with variable earnings, reducing the volume of updated council tax bills and payment plans.
- 1.6. Any households dropping off of council tax support entitlement each month from April 2024 onwards will receive cost of living help. This will include benefit maximisation and signposting to various cost of living information to support their financial situation.
- 1.7. There is also a legal requirement to affirm on an annual basis the council tax discounts and exemptions for empty properties and the empty rates premium.
- 1.8. Subject to agreement, we expect a banded scheme to be simpler to administer and savings of £250k have been agreed to be delivered for 2024/25. The proposed saving would have no impact on the sums available for the core scheme.

2. Recommendations

- 2.1. To agree to adopt the Council Tax Support Scheme for 2024/25 as contained in appendix C. For working age households this is model three from the consultation (see appendix A). Model three provides the most overall total financial support to households of the three models that were part of the consultation. Model three was the preferred model with respondents to the consultation.
- 2.2. To retain the amendments to council tax agreed at full Council on 8 December 2022. With number four below updated to properties that have remained empty for over 1 year rather than 2 years. Number five updated to reflect that the bill has now been enacted. The council will charge the premium on second homes from the earliest date possible.
 1. Council tax exemption classes A (unoccupied and unfurnished property that requires or is undergoing major repairs) and C (unoccupied and unfurnished property) will have a discount of 0% for all cases.
 2. Council tax discount for second homes will be 0% in all cases.

3. Council tax discount for empty furnished lets will be 0% in all cases; and
 4. A premium will be charged at the maximum percentage allowed of 100% on the council tax of all properties that have remained empty for over 1 year but less than 5 years in all cases. A premium will be charged at the maximum percentage allowed of 200% on the council tax of all properties that have remained empty for over 5 years but less than 10 years in all cases. A premium will be charged at the maximum percentage allowed of 300% on the council tax of all properties that have remained empty for over 10 years in all cases.
 5. With effect from 1 April 2025, a premium will be charged at the maximum percentage allowed of 100% on the council tax for Second Homes (also known as "dwellings occupied periodically"). A Second Home is substantially furnished but is not the main or principal home of any resident.
- 2.3. To note that the savings of £250k attached to the implementation of a banded CTSS for 2024/25 will be delivered upon full implementation of the new CTSS policy.

3. Background

- 3.1. 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.
- 3.2. The Council's current CTSS protects older people 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. This is the council's current CTSS for working age households.
- 3.3. The models consulted on propose working age banded schemes, taking account of net earnings to decide which band the household is placed in. All other income including welfare benefits are not counted in the calculation, other than to passport you to a band.
- 3.4. The detail on the modelling options that progressed to public consultation is shown in appendix A.

- 3.5. We pre-consulted with the Greater London Authority (GLA). The GLA confirmed that they were happy for our planned consultation to proceed. A public consultation has been completed between 18 July 2023 to 10 September 2023. The consultation was conducted via the Let's Talk Islington engagement tool. The consultation was advertised on the council website, on various council social media accounts and in various council bulletins. We also sent 2,000 letters randomly selected council tax registered account holders, 1,000 were sent to liable council tax accounts and 1,000 to those liable for council tax and in receipt of council tax support.
- 3.6. During the consultation there were 600 visits from people that clicked on the link. 428 aware visitors, meaning they visited the page. 57 informed visitors spent some time on the page or navigated in some way through the pages. There were 27 engaged visitors who completed and submitted a response to the consultation.
- 3.7. The full consultation responses are attached as appendix B.
- 3.8. In summary, 70.3% of responders either strongly agreed or agreed with the intention of proposing a new CTSS for 2024/25 that will increase the maximum support for working age households from 95% to 100%.
- 3.9. There were 85.2% of responders that strongly agreed or agreed with prioritising a 100% support level for working age households, with barriers to work like disability, limited capability to work or lone parent with a child under 5.
- 3.10. 88.9% of responders strongly agreed or agreed that the council tax support scheme should be simplified to reduce the number of in year changes to council tax bills for those households with fluctuating incomes.
- 3.11. 48.1% of responders strongly agreed or agreed that higher earnings bands should be applied to those households that contain couples and or children. Whilst 25.9% of responders either strongly disagreed or disagreed.
- 3.12. On the question of simplifying the non-dependant deduction to a standard £7.50 deduction for all adults in the household, 62.9% of responders either strongly agreed or agreed.
- 3.13. Responders were asked which is your preferred model for the CTSS for 2024/25. 51.9% preferred model three, 40.7% preferred model one and 7.4% of responders preferred model two.
- 3.14. An amount of £250k savings are attached to the implementation of a new CTSS for

2024/25. If the recommendation is approved and implemented, we expect the scheme to be simpler to administer, resulting in the saving being achieved through staffing efficiencies. The proposed saving would have no impact on the sums available for the core scheme.

- 3.15. A £50k saving has already been made early for 2023/24. The remaining £200k will be delivered for 2024/25 by reducing approximately six posts from the teams that administer housing benefit and council tax support.

4. Implications

4.1. Financial Implications

The council currently provides 95% CTS to low income working aged households. Under the proposed scheme, working-aged CTS recipients would now be moved into the new banded scheme which factors in net earnings. Older person age recipients will continue to receive 100% support.

The calculation assumes, for modelling purposes, a 4.99% rise in council tax in 2024/25, based on current government funding and MTFS assumptions, along with actual and estimated benefits uprating. The estimated overall CTS cost is volatile and contains a degree of uncertainty particularly in relation to the current economic climate and changes to inflation (which impact future benefits uprating).

The actual cost to the council in a given financial year depends on the actual level of council tax increase and actual working age caseloads. The CTS support for 2024/25, based on external modelling, is estimated to be £35.59m under the proposed scheme, of which council's share would be £27.07m.

Summary of Estimated CTSS Costs in 2024/25 – Externally Modelled

| | 2024/25 Under Proposed Scheme £m |
|---|---|
| Total Estimated CTS Costs | 35.59 |
| Islington Share (Based on Council Tax Share vs GLA) | 27.07 |

Based on external modelling, it is anticipated that the proposed banded scheme will be broadly cost neutral when compared to the current scheme in which CTS is provided at 95% to working age claimants.

Any foregone/additional income because of an increase/decrease in the cost of CTS impacts the council's annual budget via the Collection Fund for council tax income.

It is assumed that the banded scheme will be simpler to administer and a £250k base saving will be included in the 2024/25 budget relating to staffing and administration costs. This saving will have no impact on the sums available for the core scheme.

Levelling Up and Regeneration Act Changes

As part of Levelling Up and Regeneration Act for England, the council now has the legal power to charge premiums on empty properties and second homes (also known as dwellings occupied periodically). The Act enables local authority to charge a 100% premium on second homes and a 100% premium for properties empty and unfurnished for a period of between one and two years.

Billing authorities wishing to adopt any changes arising from the Act are required to make a council resolution confirming the requirement at least one year prior to the financial year in which the changes will come into effect. This means the earliest changes can be implemented is from 1 April 2025.

The proposed 100% premium for second homes from April 2025 would potentially generate additional council tax income. There are 249 properties currently classified as second homes (as at the latest data), which equates to approximately 308 properties in Band D terms. Based on an average Band D calculation, it is estimated that the second homes premium could generate additional council tax revenue of approximately £0.46m in 2025/26. This is based on the medium-term financial strategy (MTFS) assumption that council tax will rise by 4.99% in 2024/25 and 1.99% in 2025/26.

It is worth highlighting there is a small risk associated with the estimated additional income, because of the uncertainty around the future disposal of second homes in Islington, which could fluctuate. In addition, the council's share of the estimated income is subject to future changes to council tax charges. The estimated additional income for 2025/26 will be factored into the 2025/26 budget and MTFS planning process, subject to the recommendation being agreed.

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.

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.

The Equalities Impact Assessment is attached as appendix D.

5. Conclusion and reasons for recommendations

- 5.1 Given ongoing financial pressures for working age households and changes to the welfare benefits system, it is proposed that the CTSS moves to a banded model, including the potential for our most financially vulnerable working age households to receive a 100% discount. Detailed analysis has been conducted on six models and it was agreed to move forward to consultation on three of these models.
- 5.2 The results of the public consultation provide an overall majority of support for the detailed changes to the CTSS that we proposed. Model three was the preferred model with respondents to the consultation, receiving 51.9% support on which of the three models were preferred.
- 5.3 Model three provides the most overall total financial support to households of the three models that were part of the consultation. It increases the maximum support available to working age households from 95% to 100%. In our modelling, 45.1% of the working age households will receive 100% support, taking them out of paying any council tax. A further 33.1% of households will receive 95% support. Model three takes into account net earnings. Flat rate non-dependent deductions are introduced at £7.50 per week. Non-dependents receiving a passported benefit do not attract a deduction in this model.
- 5.4 Model three is the closest to cost neutral option of all the models. It increases total scheme costs by £45,342 in comparison to costs if the current scheme were to be retained into 2024/25.
- 5.5 Individual analysis of the 596 households that were identified as losing support in model three, reduces the number losing support to 373 households or 2% of the overall working age household caseload. In the 373 households, 113 of these can be described as having fluctuating earnings. Therefore, it is likely they could move on and off of council tax support as their earnings go up and down in the future. The remainder have current consistent earnings above the threshold level. Any households dropping off of council tax support will receive cost of living help, which will include benefit maximisation and signposting to various cost of living information to support their financial situation.

5.6 The £250k savings attached to the implementation of a new banded CTSS for 2024/25 will be delivered from staff savings, if the banded scheme is approved and implemented from 1 April 2024.

Appendices:

Appendix A: Banded scheme models consulted on

Appendix B: Consultation results

Appendix C: Council Tax Support Scheme 2024/25

Appendix D Council Tax Support Scheme EQIA

Final report clearance:

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Date: 15/11/23

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