

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 15/01/2024

Subject: Council Tax Support Scheme 2024/25

Report of: Councillor Rowan Ree, Cabinet Member for Finance and Reform

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Responsible Director: Sukvinder Kalsi – Strategic Director of Finance

SUMMARY

Since 2013, every council has been required to set its own Council Tax Support Scheme, setting out how it wants to help those on low income pay their council tax. The administration is determined to ensure that not only are residents no worse off than they would have been had the original Council Tax benefit regulations stayed in place, but also to try and reverse some of the regressive elements of Council Tax, by ensuring that lower income families are supported by the council. This constitutes a £9.0m investment by the Council to support the borough's lowest income families for 2024/25

Pre-2013, funding for the Council Tax Support Scheme was originally provided directly from the Government to cover the full cost of the scheme. Since then, funding has been absorbed and aggregated within other central government grants given to local authorities. The funding that the Council receives each year towards the cost of the scheme expenditure is contained within the Revenue Support Grant. Grant funding from Central Government has reduced by £48m (56% in real terms) from 2010/11 to 2023/24.

Residents are facing the most challenging of times with the cost-of-living crisis, therefore the Council is committed to ensuring that we continue to support our residents with the maximum amount of support we can, through the Council Tax Support Scheme for 2024/25.

Last year Hammersmith and Fulham was one of only 34 Councils out of 326 across England to take this approach. Most other councils have introduced a “minimum payment”, which requires everyone to pay at least some Council Tax regardless of their income. The average minimum payment has risen on average from 0% to 19% in recent times, with one example charging to 50% as a minimum contribution.

Our scheme for 2024/25 remains the most effective scheme for ensuring we provide the maximum support to our residents with 100% support to those on the lowest incomes.

Recent analysis carried out by Policy & Practice in 2023, using their Better Off Calculator, which models every Council Tax Support scheme in the country, shows that the difference between the most and least generous schemes in England is

worth around £87 per month for an out-of-work couple living in a Band D property. This is a significant amount and therefore is critical in mitigating the impact on poverty levels during the continued cost of living crisis.

This analysis further showed a clear relationship between arrears and the level of Council Tax support, with those receiving the most support having the lowest Council Tax arrears and those with the greatest reduction in Council Tax support compared to the default scheme having the highest Council Tax arrears. This is why it is so important if we are to continue improving collection rate on our arrears position that we continue giving the maximum amount of support we can, whilst we are still in the midst of a cost-of-living crisis. Having fewer households in debt is also likely to reduce the need for emergency support across other council departments, therefore not creating additional budget pressures on existing provisions of service.

Latest releases from the Department of Levelling Up, Housing and Communities (DHLUC) report state that as of 31 March 2023, the total amount of Council Tax still outstanding amounted to £5.5 billion. This is a cumulative figure and includes arrears that may stretch back a number of years. This is an increase of £510 million over the figure at the end of 2021-22. This has still largely been attributed to the impact of the covid pandemic and councils' delay in commencing recovery activity as well as the current cost of living crisis.

A recent poll carried out by YouGov, commissioned by City Hall in October 23 showed that 21 per cent of London adults were 'financially struggling' in September 2023- the same as in August and July and a drop of just two points from the 23 per cent who said they were struggling in June. In January 2022, the figure was 12 per cent.

The continued cost of living crisis is increasing the financial pressure being placed on our residents. As such, we have made over £2.83 million available to our residents through our cost of living help to mitigate some of this pressure, this is why this Council has chosen once again for 2024/25 not to introduce changes to their local schemes and remains committed to offering the most help to the lowest income families in our borough.

This report is therefore not proposing to make any changes to the Council Tax Support Scheme for 2024/25 other than the application of the annual uprating.

The annual uprating will apply to the allowances, applicable amounts, and income for both pensioners and working age Department of Work and pensions (DWP) benefits, as per the Housing Benefit uprating circular issued to local authorities in late November 2023. This circular advises the new rates from April 2024. All local authorities have a duty to apply uprating to their Housing Benefit Scheme and we propose to continue to reflect this uprating within our Council Tax Support Scheme to mirror the original intention of the default scheme. This will ensure transparency, ease of administration and clarity for our residents.

War Pensions and War Widow(ers) Pension disregard

In addition, we also want to re-affirm our commitment to our treatment of War Pensions and War Widow(ers) Pensions within our Council Tax Support Scheme and our Housing Benefit Scheme, in order to safeguard the finances of war pensioners and war widow(er)s in the borough.

Before the introduction of the Social Security Administration Act 1992, there was a statutory £10.00 per week disregard on War Disability and War Widows pensions in means tested social security benefits including Housing Benefit. Above the £10.00 per week disregard, the pensions were counted as income, reducing the amount of benefit received.

Section 134(8) of the Social Security Administration Act 1992 allowed councils to disregard up to 100% of war pensions above the £10.00 per week disregard. The cost of this disregard is borne by the council. Hammersmith A Fulham Council agreed to disregard war pensions in full above the weekly disregard in the 1990s.

From April 2005, the War Pension and War Widow(er)s Pension schemes were closed to applicants who were injured or became a widow(er) after this date and replaced by the Armed Forces Compensation Scheme. Payments from the Armed Forces Compensation Scheme were given a full statutory disregard in means tested benefits including Housing Benefit.

The £10.00 disregard also applied to Council Tax Benefit, but when this was replaced by our local Council Tax Support Scheme in 2013, Hammersmith and Fulham Council made the decision to continue to fully disregard War Pensions and War Widow(er)s Pensions to reflect the adoption of these rules within our Council Tax Support Scheme.

Last year, a number of councils were asked to provide evidence that they had passed resolutions disregarding War Pensions and War Widow(er) Pensions from Housing Benefit and their Council Tax Support Scheme by external auditors. We like many other councils no longer have the original documentation confirming the original disregard decision in the 1990's and the auditors have agreed to accept the historic position but insist that councils re-affirm their agreement to the disregard going forward.

RECOMMENDATIONS

It is recommended that Cabinet agrees the following recommendations to be approved by Full Council:

1. That the Council Tax Support Scheme in operation in 2023/2024 (included at Appendix 1) shall continue in 2024/2025.
 2. That the Council shall apply the annual uprating of allowances, applicable amounts and income, set out in the DWP Housing Benefit circular, to the Council Tax Support scheme for 2024/2025.
 3. That the Council shall re-affirm the discretionary disregards for War Pensions and War Widow(er)'s Pensions in order to safeguard the finances of war pensioners and war widow(er)s in both the Housing Benefit Scheme and the Council Tax Support Scheme.
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Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	We'll support our low-income residents by ensuring our scheme gives them the maximum benefit of up to 100%, contributing to keeping their living costs, including their council tax, affordable.
Creating a compassionate council	We are continuing our local Council Tax Support Scheme to the most vulnerable amongst us, so we know they are looked after financially.
Doing things with local residents, not to them	We'll continue to listen to and work with our residents by offering financial support to them. We will continue to monitor the impacts of economic and welfare changes on our residents, ensuring we understand their needs. This will allow us to continue to target our help to support them where they say it is needed the most.
Being ruthlessly financially efficient	We want our residents to know we are working to protect and maintain policies that protect our most vulnerable.

Financial Impact

The Council Tax Support Scheme operates by offering a discount to residents who need help paying their Council Tax. The cost of the scheme is shared between Hammersmith & Fulham Council and the Greater London Authority based on their respective Council Tax charges. The scheme cost is estimated at £13.5m in 2024/25, based on current Council Tax levels, of which the Hammersmith and Fulham share will be £9.0m. This estimate is allowed for within the 2024/25 Council Tax Base report and the Council's Medium-Term Financial Strategy.

Up until 2013, funding for the Council Tax Support Scheme (known as the Council Tax Benefit Scheme) was originally provided specifically through the Revenue Support Grant (RSG) from the Government. The Government abolished the national Council Tax Benefit scheme from 1 April 2013 and allowed local councils to develop their own local replacement schemes for working age residents. Government grant funding has reduced by £48m (56% in real terms) from 2010/11 to 2023/24.

Implications provided by: Andre Mark, Head of Finance, Strategic planning and investment, Telephone: 07776 673 099, Email: andre.mark@lbhf.gov.uk
Verified by James Newman, Assistant Director of Finance, 20 November 2023

Legal Implications

Each financial year the Council must consider whether it wants to revise its Council Tax Support Scheme, leave as is or replace it. The Council must make this decision no later than 31 January in the financial year preceding when the scheme is to take effect.

The Council has a statutory duty to set the council tax each year and this report is part of this process. The Council can only vary or set council tax discounts or higher amounts as legally empowered to do so. The relevant regulations and legislation are the Local Government Finance Act 1992, the Local Authorities (Calculation of Council Tax Base) Regulations 2012, and the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003, as amended in 2012. The Council Tax base has been calculated in accordance with the relevant Acts and regulations.

Implications verified by: Jade Monroe, Chief Solicitor, Telephone: 020 8753 2695, Email: jade.monroe@lbhf.gov.uk, 13 November 2023

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. No further options regarding proposing changes to introduce a minimum contribution have been considered this year. Changes such as this would result in working age families having to contribute to their Council Tax. These options have not been considered in light of the cost-of-living crisis and the financial difficulties residents are facing at this current time.

Reasons for Decision

2. The Council are not proposing any changes to the scheme this year. This scheme is particularly important this year in light of the financial challenges residents are facing due to the ongoing economic impacts of the cost-of-living crisis, including the rising fuel and food prices, and the significant inflationary increases in overall living costs.
3. The Council continues to see evidence of reliance on the use of foodbanks across Hammersmith & Fulham which we are continuing to monitor and support through the work we are doing through our cost-of-living programme. Efforts are concentrated on ensuring food banks and residents continue to receive funding through any government grants received in 2024/25 to help mitigate the impact of reducing household disposable income. The consequence of changing the scheme would have exposed the lowest income families to a reduction in their income which would have led to a rise in arrears and complexities around income collection for both council rents and Council Tax.

4. Currently there are 13,389 households receiving Council Tax Support in Hammersmith & Fulham, of these 4,899 are pensioner age therefore would be unaffected by any changes to the Council Tax Support Scheme and 8,490 are of working age. Therefore, any changes made would detrimentally impact the largest proportion of our working age caseload.
5. The Council has concluded that if changes were made to the scheme to introduce a minimum contribution towards council tax for working age customers on low incomes, it would be seeking repayment from the poorest in our society, many of whom have already been severely financially impacted this year.

Equality Implications

6. There are no anticipated negative implications for groups with protected characteristics, under the Equality Act 2010, by the approval of these proposals.
7. On the 5th June 2023, Hammersmith & Fulham decided to treat Care leavers as a protected characteristic within its Local Council Tax Exemptions and Discount Schemes, this is in acknowledgement of the inequality, discrimination and stigma faced by care leavers within our Council Tax therefore care leavers are now exempt from having to pay Council Tax up to the age of 25.

Risk Implications

8. Over the last decade, local authorities have received significant real terms cuts to budgets, in addition the Government's Universal Credit Scheme has posed challenges to the poorest and most vulnerable in society. Council tax benefit was a UK-wide benefit that provided support for council tax to low-income families. This was abolished in April 2013 and local authorities in England were charged with designing their own council tax support schemes in its place. Although these must maintain support for pensioners at its previous level, local authorities have wide discretion to design their own schemes for working-age families. The Council's scheme contributes positively to our residents, meeting their needs and expectations. It also contributes to our council values most specifically being a compassionate council, so the most vulnerable among us are looked after.

Implications verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 10 November 2023

Climate and Ecological Emergency Implications

9. There are no anticipated climate or ecological implications as a result of the approval of this recommendation.

Consultation

10. There is no requirement to consult this year as we are not proposing any changes to our scheme.

LIST OF APPENDICES

Appendix 1 Council Tax Support Scheme 2023/24