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Your ref:

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Dear Sunita

**LONDON BOROUGH OF BRENT
GLA RESPONSE TO CONSULTATION ON PROPOSED CHANGES TO
COUNCIL TAX SUPPORT SCHEME FOR 2025-26**

Thank you for your email dated 18 October informing the GLA about the council's consultation on its council tax support scheme for 2025-26. This letter sets out the GLA's response to this consultation.

Introduction

As in previous years, the GLA recognises that the determination of council tax support schemes, under the provisions of the Local Government Finance Act 2012, is a local matter for each London local billing authority. Individual schemes need to be developed which have regard to specific local circumstances, both in respect of the potential impact of any scheme on working age claimants (particularly vulnerable groups) and, more generally, the financial impact on the council and local council tax payers – and therefore the final policies adopted may, for legitimate reasons, therefore differ across the capital's 33 billing authorities.

This fact notwithstanding the GLA also shares in the risks and potential shortfalls arising from the impact of council tax benefit localisation in proportion to its share of the council tax in each London billing authority. It is therefore important that the GLA is engaged in the scheme development process and has an understanding of both the factors which have been taken into account by boroughs in framing their proposals, as well as the data and underlying assumptions used to determine any forecast shortfalls which will inform the final scheme design. The GLA therefore welcomes the engagement which officers at Brent have provided to enable us to understand the proposed new CTS scheme and why it is being considered.

Framing Proposals

As part of the introduction of council tax support in 2013-14, the Government set out its expectation that, in developing their scheme proposals, billing authorities should ensure that:

- Pensioners see no change in their current level of awards whether they are existing or new claimants

- They consider extending support or protection to other vulnerable groups; and
- Local schemes should support work incentives and, in particular, avoid disincentives to move into work.

The GLA concurs with those general broad principles and would encourage all billing authorities in London to have regard to them in framing their schemes.

Financial Challenges Facing the London Borough of Brent

The GLA recognises the financial challenges facing the London Borough of Brent. It is noted that the council - based on published information - is currently projecting a c£16 million budget shortfall in 2025-26 due to cost pressures arising from temporary accommodation, children's services and adult social care. This is on top of estimated cuts of £222 million which the Council has had to deliver since 2010.

Brent – in common with many London boroughs experiencing demographic changes and population growth – has been disadvantaged by the delay in the implementation of the planned fair funding review. This would have allowed the demographic changes which have occurred in the last decade to be reflected in the level of resources received. This may of course be reviewed by the new government alongside the commitment to deliver multi-year settlements from 2026-27.

In relation to council tax support the GLA notes the distribution of funding has not changed since the former DWP subsidy – with a 10 per cent reduction - was rolled into revenue support grant and retained business rates when this was localised in 2013-14. This has meant that while the cost of council tax support schemes has grown in many outer London boroughs in the last decade this has not been matched to date matched by an uplift in funding. As local authorities must maintain the previous national default scheme for pensioner households the entire burden of any savings needed to make CTS schemes affordable therefore continues to fall on working age households.

This year, the Council is forecasting that it will spend £32.8m on its Council Tax Support Scheme, with £19.9m of this being used to support working-age households and the balance of £12.9m on its scheme for pensioners. The scheme is expected to support around 17,000 working-age residents on low incomes with their Council Tax payments. Of these 12,403 households are receiving a 100% discount at present.

The Council is unable to alter its scheme for pensioner households and therefore any savings, if required, can only be delivered through changes for working age residents. The Council is therefore consulting on changes to its council tax support scheme in 2025-26 to deliver additional savings of around £5 million for the Council after allowing for the GLA's share and a provision for potential non collection.

Existing Council tax support Scheme for working age households

In 2020, Brent Council adopted an income banded scheme for working age households which considers a household's total income, and awards a reduction as a percentage of their liability of up to 100 per cent. The existing bands are summarised in Appendix A.

Proposed Changes to Brent's working age council tax support scheme from 2025-26

The Council is consulting on a new scheme to be introduced from 2025-26. This is summarised in Appendix B and set out in more detail on the Council's consultation webpage: <https://haveyoursay.brent.gov.uk/en-GB/projects/council-tax-support-scheme>

There are two key elements to the proposed revised scheme:

- To remove the 100% reduction for out of work or low-income households and apply a percentage reduction to each of the other income bands. Currently all out of work households receive 100% reduction and therefore do not pay any Council tax. It is proposed that this is reduced to a 65% reduction, therefore all households would have to pay at least 35% of their Council tax liability. This would reduce the cost of the scheme by an estimated £7.6m.
- To simplify the process for non-dependent deductions by introducing two flat-rate deductions which would save a further £0.7m:
 - An £8 per week deduction from Council Tax Support for non-dependents in the household who are 'out of work' and
 - a £20 per week deduction from Council Tax Support for non-dependents in the household who are "in work."

The proposed changes to the Council Tax Support scheme are forecast to generate total savings of around £8.3m therefore of which c£5 million would accrue to the Council, c£1.5 million for the GLA on a pro rata basis with the balance reflecting a provision for potential losses due to non collection.

GLA response to proposed changes to Brent's council tax support scheme

The GLA acknowledges that local authorities face difficult choices on CTS schemes in light of their challenging financial circumstances. This is particularly acute in outer London boroughs like Brent which are seeing rapid demographic change leading to pressures on core services including adult social care and children's services alongside rising costs for temporary accommodation due to rising rents and pressures on the supply of housing.

The final scheme design is ultimately a local decision for the London Borough of Brent to determine. If the council decides it wishes to reduce the cost of the scheme, it is inevitable that some residents will, inevitably be required to pay more towards their council tax. We note that the proposed scheme will require a large number of claimants who are not paying any council tax in 2024-25 to pay at least 35 per cent of their liability in 2025-26. We recognise that this is likely to create significant administrative and collection challenges for the Council.

The GLA considers the final decision on Brent's scheme should be based on a comprehensive analysis of household capability to pay increased obligations, with changes to the scheme designed to safeguard against non-collection, minimise household debt, and ensure optimal revenue generation.

As well as enabling the Council to understand in greater detail how specific elements of the proposed changes will affect residents, modelling of households' ability to meet council tax obligations would allow the Council to accurately forecast collection rates, and thus estimate overall revenue accruing to the Council and the GLA as its major preceptor through the changes. Consideration of the impact on various socio-economic populations within the borough would also support the Council in identifying households most vulnerable to increases in household debt. This analysis could be used to calculate the level of changes likely to deliver optimal revenue generation and mitigate to some extent the risk of pushing households into problem debt.

Overall, this approach could support the Council in identifying unintended consequences arising from the proposed changes and develop tailored policies designed to minimise future costs for households and the Council associated with non-payments and increased household debt, utilising data-driven decision making to contribute to the community's long-term financial wellbeing.

The GLA notes the Council proposes to review its section 13A policy in respect of its council tax hardship fund to ensure that households who face difficulty in meeting their new bills may be supported. This will be operated on an application basis that would be accessed via the Council's website.

The GLA notes that the Council has asked if the Mayor would be willing to make a contribution towards the cost of this hardship scheme given it will also benefit from the savings resulting from the new scheme. This request is being considered and the GLA will confirm its response to this request in the New Year.

Providing Information on Schemes

The GLA welcomes the fact that the Council has published scenarios setting out how the changes are likely to affect different households including the extra liabilities they might face next year. It is important this is replicated when the Council publishes its final scheme in advance of council tax bills being issued in March 2025.

It should also conduct more detailed analysis of households' ability to meet these liabilities based on the administrative data the Council has access to. The GLA recommends using established platforms and methodologies for reliable analysis.

The Council should also publish a clear analysis of potential additional costs and savings it expects will materialise from the final scheme agreed so that all local residents and council taxpayers as well as stakeholders such as the GLA are aware of the implications.

Setting the Council Tax Base for 2025-26 and Assumptions in Relation to Collection Rates

The Council will be required to set a council tax base for 2025-26 taking into account the potential impact of the discounts the council may introduce in respect of its revised council tax support scheme and any potential changes the council may implement regarding the changes to the treatment of empty homes and, via new the legislative power coming into force, second homes.

The Council will as part of this need to make a judgement as to the forecast collection rates from those claimants and council taxpayers affected by any changes to its local council tax support scheme.

The GLA would encourage the Council to provide it with an indicative council tax base forecast as soon as options are presented to members for approval, in order that it can assess the potential implications for the Mayor's budget for police, fire and other services for 2025-26. This should ideally be accompanied by supporting calculations disclosing any assumptions around collection rates and discounts granted having regard to the final council tax support scheme design.

I would like to thank you again for consulting the GLA on the changes being considered to the Brent's council tax support scheme for 2025-26.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Mitchell', written in a cursive style.

Martin Mitchell

Finance Manager

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SUMMARY OF EXISTING BANDED SCHEME IN PLACE IN 2024-25

In 2020, Brent Council adopted an income banded scheme, which considers a household's total income, and awards a reduction as a percentage.

This year, the council forecasts it will spend £32.8m on the Council Tax Support Scheme, with £19.9m used to support working-age households and the balance on pensioner households.

The scheme helps around 17,000 working-age residents on low incomes with their Council Tax payments. Of these, 12,403 households are expected to receive a 100% discount.

The level of support provided to a household is assessed based on the weekly income against a series of income bands (all income used in the calculation excludes any DWP or HMRC benefits and any income in respect of caring for a foster child).

The table below sets out the current income bands and the corresponding percentage reduction that is applied.

Claimant and partner's income per week	Maximum level of council tax support
£0 - £80	100%
£81 - £110	80%
£110 - £150	50%
£151 - £250	30%

PROPOSALS BEING CONSULTED TO AMEND THE COUNCIL TAX SUPPORT SCHEME FOR WORKING AGE RESIDENTS IN BRENT IN 2025-26

The proposed changes to the scheme will only affect working-age residents. Pensioners are exempt and will continue to be assessed under the existing system, which can cover up to 100% of their Council Tax bill.

Any changes would take effect from 1 April 2025 and have been developed by the Council from its perspective to deliver a fair, affordable scheme.

There are two key areas where changes are proposed to be made which would deliver estimated savings in the region of £8.3m in total (around £5m in net savings after allowing for collection rates and the GLA's estimated £1.5 million share):

PROPOSAL 1

To remove the 100% reduction for out of work or low-income households and apply a percentage reduction to each of the other income bands.

Currently all out of work households receive 100% reduction and therefore do not pay any Council tax.

It is proposed that this is reduced to a 65% reduction, therefore all households would have at least a 35% Council tax liability. This would reduce the gross cost of the scheme by £7.6m. The table below sets out the current and proposed percentage reduction that will apply:

PROPOSED INCOME BANDINGS AND MAXIMUM LEVEL OF CTS SUPPORT

Income per week between	Current Scheme	Proposed
£0-£80	100%	65%
£80-£110	80%	50%
£110-£150	50%	30%
£150-£250	30%	20%
£250+	0%	0%

PROPOSAL 2

Changes to non-dependant deductions

In addition to the above, the Council is proposing making changes to the non-dependant deductions.

A non-dependant deduction is an amount that is deducted from the Council Tax Support entitlement for a person aged over 18 living in the property.

The council reduces the level of Council Tax Support provided if there are other adults (non-dependents) living in the household. Currently, there are four different deduction rates based on the non-dependents' circumstances and income. The Council proposes simplifying this process by introducing two flat-rate deductions:

- £8 per week deduction from Council Tax Support for non-dependents in the household who are "out of work."
- £20 per week deduction from Council Tax Support for non-dependents in the household who are "in work."

The Council argues this change will eliminate the need to verify the exact income of non-dependents, simplifying administration and reducing costs for the council.

OTHER CHANGES BEING PROPOSED

Along with the preferred option, Brent is also proposing the following administrative changes to its scheme:

Limit Backdating to one month

Currently claims for Council Tax Support from working age claimants begin from Monday following the date the application is made to the council with the possibility to be backdated up to the beginning of the financial year where the claimant is in receipt of Universal Credit. The Council proposes to keep the start date the same with claims beginning from Monday following the date the application is made to the council directly or indirectly via their claim for Universal Credit.

However, it proposes restricting the maximum backdating period allowed to one month where the customer is in receipt of Universal Credit or can show good cause as to why they have not applied sooner.

It argues this will

- Simplify administration as circumstances will not need to be verified or requested going back to the beginning of the financial year in which the application was made.
- Deliver a straightforward change that should result in a scheme that is easier for customers to understand as it should in most cases closely align a customer's start date for Housing Benefit and Council Tax Support.

New working age resident claimants may see a reduction in the amount of support they receive therefore if they are unable to claim on a timely basis.

The introduction of an additional application process for Council Tax Support (Universal Credit applicants only)

Currently, residents claiming Universal Credit must make a separate application to the Council to apply for CTS. This can be confusing and stressful for residents and often results in people not getting the support to which they could be entitled.

The Council proposes simplifying the process and adding an additional avenue for residents to claim Council Tax Support.

Whenever a Brent resident starts receiving Universal Credit, it receives a notification from the Department for Work and Pensions. With this change, it would automatically consider these notifications as applications for Council Tax Support.

This, would remove the need for those residents, successful in their application to Universal Credit, to apply for Council Tax Support separately via its website.

This would in the Council's view

- Remove the need for the majority of working age people to make a separate claim for CTS via our website where they have been awarded Universal Credit.
- Simplify the application process and reduce the difficulty for those who claim Universal Credit.
- Ensure that as many people as possible claim the support to which they are entitled.

Linking Income bands to Consumer Pricing Index (CPI)

The Council proposes to increase the level of income (within the income bands) to qualify for support for customers depending on the CPI from September of the previous year.

This would mean in the Council's view that the value of the scheme to residents is maintained year on year and likewise the scheme cost is maintained for the Council.

Linking non-dependant charges to Consumer Pricing Index (CPI)

The Council proposes to increase the non-dependant charges from 1 April each year depending on the CPI from September of the previous year.

This would mean that non-dependant charges increased in line with CPI. The non-dependant in the household would be expected to pay more towards the Council Tax liability e.g. the proposed 'in work' charge of £20 a week would increase to £20.34 in line with inflation (based on the 1.7 per cent CPI rate as of September 2024).

Case studies relating to impact of proposal 1

The Council has provided the following case study scenarios in its consultation material.

Scenario 1

Single parent, Band C, 2 children, working 16 hours per week at national living wage (£183.04).

Under this proposal, this would mean an increase to their council tax owed per week of £2.61 / £135.72 per annum

<u>Current Scheme</u>		<u>Proposed Scheme</u>	
Weekly council tax liability	£26.03	Weekly council tax liability	£26.03
Weekly CTR entitlement	£7.81	Weekly CTR entitlement	£5.21
Weekly council tax to pay	£18.22	Weekly council tax to pay	£20.83

Scenario 2

Couple, Band C, 2 children, passported. 1 non-dependant not working.

Under this proposal, this would mean an increase to their council tax owed per week of £12.15 / £631.70 per annum

<u>Current Scheme</u>		<u>Proposed Scheme</u>	
Weekly council tax liability	£34.71	Weekly council tax liability	£34.71
Weekly CTR entitlement	£29.71	Weekly CTR entitlement	£17.56
Weekly council tax to pay	£5.00	Weekly council tax to pay	£17.15

Scenario 3

Single person, Band C, in receipt of Universal Credit and not working.

Under this proposal, this would mean an increase to their council tax owed per week of £9.11 / £473.72 per annum

<u>Current Scheme</u>		<u>Proposed Scheme</u>	
Weekly council tax liability	£26.03	Weekly council tax liability	£26.03
Weekly CTR entitlement	£26.03	Weekly CTR entitlement	£16.92
Weekly council tax to pay	£0.00	Weekly council tax to pay	£9.11