

# Report of the Finance Director to the meeting of the Executive to be held on 11 October 2015

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**Subject:**

A Council Tax Reduction scheme for 2017/18

**Summary statement:**

Legislation requires each Billing Authority to consider, annually, whether it wishes to revise its Council Tax Reduction scheme.

This report explores options to revise or retain the current scheme; which may, to a greater or lesser extent, impact on the funding gap forecast in the Medium Term Financial Strategy.

Executive is asked to consider the report and to make a Decision to maintain the current scheme, or alternatively, to make provision for a change to the scheme for 2017/18.

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**Portfolio:**

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**Overview & Scrutiny Area:**

**Corporate**

## **1. SUMMARY**

- 1.1. This report explores options to revise or retain the current Council Tax Reduction scheme; which may, to a greater or lesser extent, impact on the funding gap forecast in the Medium Term Financial Strategy.
- 1.2. Executive is asked to consider the report and to make a Decision to maintain the current scheme, or alternatively, to make provision for a change to the scheme for 2016/17.

## **2. BACKGROUND**

- 2.1. The Government abolished Council Tax Benefit and placed a Duty on local authorities to implement a local system of support for Council Tax, with effect from 1 April 2013. The legislation also requires each Billing Authority to consider, annually, whether it wishes to revise its scheme.
- 2.2. Pensioners are governed by a prescribed scheme: any amendment to the CTR scheme, therefore, can only be applied to working age claimants.
- 2.3. Executive considered options to revise or replace the Council Tax Reduction scheme, for the following year, at its 5 November 2013 and 16 September 2014 meetings. The Executive decision, on both occasions, was to continue operating the CTR scheme without change.
- 2.4. At its meeting on 8 December 2015, Council Decision was to adopt a revised CTR scheme for working age claimants for 2016/17 which would "Increase the support provided for Carers in receipt of the Carers Premium, and the disabled in receipt of the Severe or Enhanced Disability Premium, up to 100% of liability". For all other working age claimants, entitlement for support would continue to be assessed on 75% of the net Council Tax liability.
- 2.5. There are a number of significant developments highlighted within this report that Executive will wish to be mindful of when considering whether to retain the current CTR scheme for 2017/18.

## **3. OTHER CONSIDERATIONS**

- 3.1. The CTR caseload (for both pension age and working age claimants) as at the beginning of September is 47,886 (30,100 working age and 17,786 Pension age). This continues the trend of a reducing CTR caseload highlighted in the report to Executive (15 September 2015). The caseload, at the same point in 2015/16 and 2014/15, was 49,611 and 52,392 respectively. These reductions are due, in part at least, to the equalisation of the pension age and the upturn in the local economy.
- 3.2. Of the 30,100 working age caseload, 9,844 are in receipt of a severe or enhanced disability premium or carer premium. This means that, following the introduction of increased protection for this cohort in the 2016/17 scheme, they eligible for support of up to 100% of their Council Tax liability.
- 3.3. The overall in-year collection rate for all Council Tax accounts in 2015/16 was

94.24%, which was slightly higher than the 94.18% collected in 2014/15. We are anticipating that a collection rate of 94.5% will be achieved in 2016/17. For those cases where Council Tax Reduction was awarded, in-year collection for 2015/06 was much lower at 82.9%; which was an improvement over the 78.62% in 2014/15.

- 3.4. However, it is becoming increasingly difficult to collect Council Tax from some low income households, particularly those with multi-year debt; and it is not clear to what extent this improvement will continue.
- 3.5. The following section of this report looks at a number of developments that are likely to inform the development of the CTR scheme and the future of local council tax support nationally.
  - The Summer Budget 2015 introduces some new changes to welfare
  - The roll-out of Universal Credit, which will increase the Council's administrative burden
  - The findings, and recommendations, of a report into the future of Local Council Tax Support schemes

### **Summer Budget 2015**

- 3.6. With effect from April 2017 the Child Element of tax credits and Universal Credit will no longer be awarded for third and subsequent children born after 6 April 2017. The CTR scheme will be updated automatically to reflect this change. However, the Government has, so far, been silent on the detail of how this change will be implemented. Early analysis suggests that, in anticipation of certain exemptions and protections, this could affect as few as 100 households in 2017/18.
- 3.7. The household benefit cap, which limits the amount of benefits out-of-work working-age families can receive, will reduce from £26,000 to £20,000. There are currently around 220 households across the district affected by the current cap. The new, £20,000 cap, is expected to affect approximately further 1,000 households, to varying degrees.
- 3.8. It is expected that households already capped under the current cap limit, will have the new cap applied in November 2016; and that other households will have the cap applied early in 2017. The Government has increased Discretionary Housing Payments funding in anticipation of the increased demand for housing support.

### **Universal Credit**

- 3.9. Universal Credit (UC) across the Bradford district is restricted to working age, single, newly unemployed people. As of the start of August, there were 2,661 individuals/households with a live UC claim. Of these, 279 are in receipt of CTR. Most of those currently receiving UC are not householders and are, therefore, not liable to pay Council Tax.
- 3.10. The planned roll-out of UC to include all working age individuals and families has been delayed; and we await the publication of a revised timeline. Current expectations are that the roll out in the Bradford District will be from October 2017 at the very earliest, but it is more likely to be in 2018 (Pensioners will remain outside the scope of UC).
- 3.11. UC claimants are assessed monthly, and any change in their UC payment is notified to the Council. Consequently, there could be up to 12 notifications per claimant per year; each notification requiring a re-assessment and adjustment of

the claimants' CTR entitlement. The increase in the administrative burden due to the current caseload can be met through existing resources.

- 3.12. As UC is rolled out the Council's administrative burden will increase significantly. Maintaining administrative efficiency and effectiveness will become ever more challenging, and may impact upon our ability to collect council tax effectively and efficiently. It is likely, therefore, that as the uptake of UC increases the Council will need to develop options for a more administratively effective model of CTR.

### **Review of Local Council Tax Support Schemes**

- 3.13. The findings of the Government commissioned report "Three Years On: An Independent Review of Local Council Tax Support Schemes (the Ollerenshaw report) makes a number of recommendations about the future of local council tax support schemes; and the extent to which government should constrain or prescribe such schemes. The Government has yet to respond to the report's recommendations.
- 3.14. Some key recommendations, if enacted, could have a significant bearing on the shaping, administration and funding of future CTR arrangements. Ollerenshaw recommends that government should;
- consider localising at least part of the Local Council Tax Support (LCTS) scheme for pensioners, allowing councils to decide how much support they wish to provide for all low-income residents
  - consider granting more local flexibility over other nationally-set council tax discounts, such as the single person discount
  - confirm that LCTS will remain a local discount scheme for a local tax, and that it will not be rolled into Universal Credit
  - enable LCTS recipients to pay off arrears through a voluntary attachment to benefits agreed with the council, without the requirement to obtain a liability order
  - remove the January 31st deadline for schemes to be agreed on, and replace it with a condition that councils have an LCTS scheme agreed and in place by the end of March each year
- 3.15. If the Government is minded to accept any or all of the recommendations of the report, it is likely that they would not come into effect until after April 2017.

### Options for current and future CTR support

- 3.16. There is growing pressure to re-examine CTR provision for the Bradford District. The roll-out of UC is a key driver for that change, with the increasing administrative burden becoming ever more untenable within future financial constraints. In addition, the Government's response to the recommendations of the Ollerenshaw report could allow significant flexibilities that may help in the development of a new scheme that better meets the needs of the Council and the District.
- 3.17. 2017/18 would be too soon to introduce a wholly new scheme. The delay to the roll-out of UC means that the growth in the administrative burden will remain manageable within existing resource during 2017/18, and there has been no Government response to the Ollerenshaw report. However, the development of options for a replacement scheme beyond 2017/18 should be undertaken as soon as is practicable.

- 3.18. The continuation of the current CTR scheme, un-amended for 2017/18, would provide stability, benefiting residents and support and advice workers; and allows for the new protections within the 2016/17 scheme to become better embedded.

#### **4. FINANCIAL & RESOURCE APPRAISAL**

- 4.1. The forecast cost (Council Tax forgone) for the current year of providing Council Tax Reduction is £33m, with the Council's share amounting to £28m. This is £0.9m more than was estimated when the 2016/17 budget was approved. The additional £0.9m above the forecast is because although the take up of Council Tax Reduction has reduced compared to 2015/16, this reduction is at a slightly lower rate than was anticipated when the tax base was set.
- 4.2. It is important to note that 'Council Tax foregone' quoted in this report includes the Council Tax foregone by the Major Preceptors (Police and Fire). As a general rule, 85% of Council Tax billed is the Council's and 15% goes to the Major preceptors.
- 4.3. Assuming the scheme remains unchanged, the cost of the scheme will rise, broadly speaking, in line with any Council Tax increase. If changes are made to the scheme, this could have the effect of either increasing or reducing the cost of the scheme.
- 4.4. If any revision to, or the replacement of, the scheme has the effect of reducing or removing a reduction to which any class of persons is entitled, the Authority must consider whether transitional protection should be included. The cost of any transitional protection would be determined by the changes proposed.

#### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 5.1. The format and the underpinning principles of current scheme are understood by claimants and those Advice Services and advice workers that support them. Any amendment to the current scheme would be required to adhere to the principles upon which the CTR scheme is based. The Revenues and Benefits Service will work with Advice Services to ensure any such amendment(s), and the implications(s) are known and understood.
- 5.2. If Executive is minded to replace the current scheme with a wholly new scheme, it will be required to re-affirm or revise the set of principles upon which the development of a new scheme is to be based.

#### **6. LEGAL APPRAISAL**

- 6.1. A Council tax reduction scheme is made under section 13A(2) Local Government Finance Act (LGFA) 1992 – as amended by the Local Government Finance Act 2012 - and applies to (a) Persons whom the authority considers to be in financial need, or (b) Persons in classes consisting of persons whom the authority considers to be, in general, in financial need. The legislation also requires the Council to consider, annually, whether it wishes to revise its Council Tax Support scheme.
- 6.2. Before making a Council Tax Reduction Scheme and when proposing a

replacement or alteration to an existing scheme the Council must consult with its major pre-accepting authorities i.e. the Police and the West Yorkshire Fire Service. It must then publish a draft of any amended or new scheme and then consult with persons who it considers are likely to have an interest in the operation of the scheme in accordance with schedule 1A para 3 and 5 LGFA 1992 (as amended).

- 6.3. A person with an interest in the operation of the scheme can include those persons who might otherwise have received Council Tax Benefit and now receive Council Tax reductions due to financial need and other Council tax payers generally in the district who do not receive reductions
- 6.4. Any change made to the existing (2016/17) CTR scheme will constitute a new Council Tax Reduction scheme, with effect from 1 April 2017 until such time as the scheme is further amended. Any such revised scheme must be adopted by Full Council by 31 January 2017.

## **7. OTHER IMPLICATIONS**

### **7.1. EQUALITY & DIVERSITY**

- 7.1.1. The Equality and Diversity implications of the current Council Tax Reduction scheme were considered as part of the Council's decision making process. If any changes to the scheme are proposed by Executive, consultation will be undertaken, together with an Equality Impact Assessment, to inform the Council's decision.

### **7.2. SUSTAINABILITY IMPLICATIONS**

- 7.2.1. There are no Sustainability implications directly arising from this report. Any considerations that arise as a result of decisions made by Executive following this report will be addressed within the context of those decisions.

### **7.3. GREENHOUSE GAS EMISSIONS IMPACTS**

- 7.3.1. There are no greenhouse gas emissions impacts.

### **7.4. COMMUNITY SAFETY IMPLICATIONS**

- 7.4.1. Not applicable within the context of this report.

### **7.5. HUMAN RIGHTS ACT**

- 7.5.1. There are no Human Rights implications arising from this report. Any considerations that arise as a result of decisions made by Executive following this report will be addressed within the context of those decisions.

### **7.6. TRADE UNION**

- 7.6.1. Not applicable within the context of this report.

### **7.7. WARD IMPLICATIONS**

- 7.7.1. There are no Ward implications directly arising from this report. However, any variance to, or move away from, the current Council Tax Reduction scheme will impact on households across the district; and the change will impact variably across the district.

### **7.8. AREA COMMITTEE ACTION PLAN IMPLICATIONS**

- 7.8.1. Not Applicable

## 8. NOT FOR PUBLICATION DOCUMENTS

8.1. None

## 9. OPTIONS

9.1. **Option 1** - Retain the Council Tax Reduction scheme, without change, for 2017/18.

### 9.1.1. Pros

- Administrative procedures; ICT, Staffing etc., are already in place. This makes it easier & quicker to administer.
- This will not affect the Council's funding position unless there is a significant increase or decrease in the number of claimants
- Provides stability, benefiting residents and support and advice workers; and allows for the new protections within the 2016/17 scheme to become better embedded
- No further consultation on the scheme required

### 9.1.2. Cons

- Opportunities to increase Council Tax revenue, or to apply some further degree of support to certain groups, cannot be realised
- Council tax arrears will grow as the average weekly liability continues to be above the maximum weekly deduction from benefits

9.2. **Option 2** – Change the scope and/or level of support provided by the CTR scheme.

### 9.2.1. Pros

- This could increase the protection already afforded to vulnerable groups when calculating entitlement. If protection is increased, fewer residents will find themselves indebted and Council debt would reduce as the percentage moves closer to 100%. This will provide a reduction in recovery costs
- Alternatively, reducing support for some or all groups would reduce the cost of the scheme. Reducing the cost of the scheme would impact positively on the budget deficit identified in the Medium Term Financial Strategy and/or protections for certain groups could be increased without increasing the overall cost of the scheme

### 9.2.2. Cons

- Increasing support, if not off-set by other changes, will mean reducing the Council Tax base, and, therefore, the amount of Council tax raised; impacting adversely on the funding gap forecast in the Medium Term Financial Strategy
- The cost of protection becomes more burdensome, either for the Council and Major Preceptors or for other working age Taxpayers, as support is broadened or the level increased
- Reducing protection(s) could increase the likelihood of indebtedness and poverty in the selected groups
- Consultation on the new scheme is required

9.3. **Option 3 – Develop a wholly new Council Tax Reduction scheme**

### 9.3.1. Pros

- A new scheme could be developed that is;
  - less complex and less costly to administer

- less open to misinterpretation and error
- easier for residents and support agencies to understand
- better able to target support

### 9.3.2. Cons

- The business case for introducing a wholly new scheme for 2017/18 is uncertain; and such a new scheme may be subject to further revision in light of UC and the Government's response to the Ollerenshaw report.
- The current administrative burden created by UC is manageable within existing resources, and is likely to remain so until UC is more fully rolled out. The recently announced delays to the UC roll out programme suggests that the full service will not be introduced in the Bradford District until Autumn 2017 at the earliest, and is more likely to be during 2018
- The Government's response to the recommendations of the Ollerenshaw report is likely to be a significant factor in the development of options for a new scheme. Government is, to date, silent on the matter; and the timing of its response is unknown
- The timing of the development of a new scheme, therefore, would be better sequenced to the roll out of UC, and at a point where the Council is able to take advantage of any new freedoms that government's response to the Ollerenshaw report might provide.
- Consultation on the new scheme with the Major Preceptors (Police and the West Yorkshire Fire Service) and the public is required

## 10. **RECOMMENDATIONS**

That Executive,

- instructs the Director of Finance to continue operating the Council Tax Reduction scheme, without change, for 2017/18 (Option 1)
- requests that the Director of Finance bring a report detailing the options for a new model of Council Tax Support, including an analysis of the impact on the Medium Term Financial Strategy, within the next twelve months

## 11. **APPENDICES**

None

## 12. **BACKGROUND DOCUMENTS**

- Local Government Finance Act 2012
- Localised Council Tax Support: Executive Report, 1 December 2015
- Localised Council Tax Support: Executive Report, 15 September 2015
- CBMDC Council Tax Reduction scheme
- CBMDC Medium Term Financial Strategy
- Three Years On: An Independent Review of Local Council Tax Support Schemes. Eric Ollerenshaw OBE, March 2016
- Summer Budget 2015: HM Treasury, July 2015