

Report of the Strategic Director Corporate Services to the meeting of the Corporate Overview & Scrutiny Committee to be held on 19 July 2017

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Subject:

Council Tax Support

Summary statement:

This report looks at options for responding to the challenges for the operation and delivery of the Council Tax Reduction scheme

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Overview & Scrutiny Area:

Corporate



1. SUMMARY

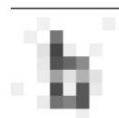
- 1.1. This report looks at options for responding to the challenges for the operation and delivery of the Council Tax Reduction scheme.
- 1.2. The views of the Committee are sought on the future of council tax support for residents to inform the development of options for a new Council Tax Support scheme for the Bradford District.

2. BACKGROUND

- 2.1. A report to CO&SC (Council Tax Collection; 5 April 2017) highlighted the challenges that currently exist in the operation and delivery of the current Council Tax Reduction (CTR) scheme for working age households.
- 2.2. Key issues raised in the 5 April report include;
 - Universal Credit claimants' entitlement is assessed monthly and can vary each month. There can be, therefore, up to 12 changes a year; each one has to be assessed for a change to CTR entitlement
 - A change in CTR entitlement, however small, requires that a new Council Tax bill, together with revised payment arrangements, be issued; which then delays collection activity. Multiple changes will result in bills that are increasingly difficult to collect and can create payment difficulties for claimants
 - A significant number of CTR working age recipients have arrears from previous years – multi-year debt. Where the arrears or a proportion of the arrears are considered irrecoverable due to the individual's circumstances, then these will be considered for 'write off'. The consequence of this is higher levels of 'write-off' than originally anticipated
- 2.3. Matters for consideration about possible future council tax support arrangements were presented for consideration by the Committee in the report.
- 2.4. The Committee felt that the information provided was too general and asked that a further report be brought which sets out firmer options that could be considered for a new council tax support scheme.
- 2.5. The Council's Executive will be asked in September to consider whether it wants to change the scheme for 2018/19.

3. OTHER CONSIDERATIONS

- 3.1. Local Authorities have developed a range of council tax support schemes for working age claimants; each of which will have been developed with different outcomes in mind depending on local circumstances.



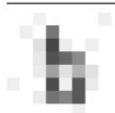
- 3.2. Four models of council tax support operated by other Local Authorities are provided in Appendices 1 to 4: Leeds, Wakefield, Derby and the London Borough of Sutton. Commentary about how each of these schemes contributes to meeting the challenges faced by the Council is included.
- 3.3. None of the schemes illustrated (which are all less generous than the Council's CTR scheme) tackle the issue of multi-year debt. Reducing multi-year debt can only be achieved by increasing the funding to the scheme or reducing the protections for certain groups. So, as well as redesigning the scheme, Members will also have to decide whether to maintain the current level of funding.
- 3.4. Each of the four Councils has taken a different approach to implementing revised arrangements;
- Leeds have a scheme for UC claimants which is run alongside their existing CTS scheme for non-UC claimants; with non-UC claimants migrating to the UC scheme over time. Protections in the CTS scheme are not carried over to the UC scheme. A discretionary scheme has been introduced to help those who lose protection
 - Wakefield modified their previous CTS scheme (which was similar to the Council's CTR scheme) by making a small number of changes to entitlement. All working age claimants, whether or not they are on UC, will be assessed on this scheme
 - Derby's scheme is similar to our CTR scheme, but, most notably, with entitlement limited by applying a cap equivalent to a Band A property. All working age claimants are assessed on this scheme
 - Sutton's scheme is a 'Banded Scheme' with CTS entitlement determined by defined income ranges. All working age claimants are assessed on this scheme
- 3.5. In developing new arrangements, the Council would need to consider whether to operate a single scheme or transitional arrangements as in the case of Leeds.
- 3.6. The views of the Committee are sought on the future of council tax support for residents to inform the development of options for a new Council Tax Support scheme for the Bradford District.

4. FINANCIAL & RESOURCE APPRAISAL

- 4.1. Detailed financial analysis of the options for future CTS provision has still to be undertaken, although all the schemes quoted can be developed in such a way that they match the current cost.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1. Any revised scheme must be adopted by Full Council by 31 January 2018, and be operational by 1 April 2018.



- 5.2. Adopting any changes made to the current CTR scheme would constitute the new Council Tax Reduction scheme from the time of adoption (with appropriate effective implementation date) until such time as the scheme is further amended.

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 precepting 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).

7. OTHER IMPLICATIONS

7.1. EQUALITY & DIVERSITY

- 7.1.1. There are no Equality and Diversity implications directly arising from this report.

7.2. SUSTAINABILITY IMPLICATIONS

- 7.2.1. There are no Sustainability implications directly arising from this report.

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.

7.6. TRADE UNION

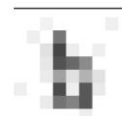
- 7.6.1. Not applicable within the context of this report.

7.7. WARD IMPLICATIONS

- 7.7.1. There are no Ward implications directly arising from this report.

7.8. AREA COMMITTEE ACTION PLAN IMPLICATIONS

- 7.8.1. Not Applicable



8. NOT FOR PUBLICATION DOCUMENTS

8.1. None

9. OPTIONS

9.1. N/A

10. RECOMMENDATIONS

That

- the Committee consider the council tax support schemes presented in the report and express its views on the development and delivery of a future Council Tax Support arrangements for the Bradford District

11. APPENDICES

- Appendix 1: Council Tax Support – Leeds City Council
- Appendix 2: Council Tax Support – Wakefield MDC
- Appendix 3: Council Tax Reduction – Derby City Council
- Appendix 4: Council Tax Reduction – London Borough of Sutton

12. BACKGROUND DOCUMENTS

- Local Government Finance Act 2012
- Council Tax Collection: CO&SC Report, 5 April 2017
- CBMDC Council Tax Reduction scheme



Council Tax Support – Leeds City Council

From 1 April 2017 Leeds City Council has operated 2 Council Tax Support schemes for those of working age; a third, for those of pension age, is governed by national regulations.

The Council Tax Support scheme is the one that has operated since April 2013 and to a great degree mirrors the scheme we currently operate in Bradford. The maximum entitlement is based on 75% of liability unless the claimant falls into one of the protected groups such as being severely disabled or a carer, in which case entitlement can be based on 100% of liability.

A new scheme, the Universal Credit and Council Tax Support scheme (UCCTS) has been introduced from April 2017. This scheme is for those who receive Universal Credit, people claiming for the 1st time and receiving UC will be assessed on this scheme, and existing claimants will migrate to it when they move onto UC.

The maximum entitlement is 75% of liability – anyone whose sole income is UC will get this maximum amount. Anyone whose income is not a state benefit or welfare payment can still get up to 75%, depending on the amount of their income.

There are no longer “protected groups”, in the UCCTS, although they have been retained within the CTS scheme. All claims will be based on a 75% maximum. It has been recognised that by making this change some people in the protected groups will lose entitlement. A discretionary protection scheme has been introduced to help people who were previously protected under the Council Tax support scheme.

Observations

- This scheme will not systematically mitigate the billing and collection problems of frequent income changes (although we understand some discretion has been given to assessors not to trigger re-billing for small changes)
- The introduction of the discretionary protection scheme will mitigate the loss of protections, but will come at a significant administrative overhead
- This set of arrangements means that Leeds is operating a total of 4 schemes; a CTS scheme for pension age claimants; a scheme for UC claimants; a CTS scheme for working age claimants not in receipt of UC; and a discretionary ‘hardship’ scheme



Council Tax Support – Wakefield MDC

There is one Wakefield scheme for working age claimants for 2017/18. It is broadly similar to the scheme we operate, the major differences being;

- Maximum entitlement is 70% of liability
- There are no “vulnerable groups” who have entitlement based on more than 70%
- There is a minimum weekly entitlement of £1.00 per week
- There is a minimum award change, where a change in circumstances results in an award change of less than £1.00 per week, the payable amount will remain unchanged until the resulting award change exceeds £1.00 per week

Observations

- This scheme addresses the issue of multiple changes by using a minimum change to trigger re-calculation. Entitlement is re-calculated only when the change passes a threshold - £1 per week in this case
- Administrative cost and caseload is further reduced by applying a £1 minimum entitlement. Based on our current caseload, if we were to apply the £1 minimum entitlement used in this scheme, 550 of our claimants would lose their CTR entitlement
- The scheme overall is less generous than our CTR scheme
- The complexity of the scheme has not been reduced



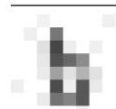
Council Tax Reduction – Derby City Council

Derby has one working age scheme for 2017/18. In principle it is the same as our CTR scheme, apart from;

- It is capped at the charge for a Band A property
- Maximum entitlement is 70% of the capped Band A charge
- There are no “vulnerable groups”
- No one with capital of more than £6,000 can qualify, for CBMDC the capital limit is £16,000, the same as the limit for HB
- There is a weekly minimum entitlement of £4.00 per week

Observations

- Significantly less generous than our CTR scheme, but does have the attraction of further simplicity and savings
- The cost of assessment and billing can be disproportionate to the support being given, particularly if there are multiple changes. Applying a minimum payment will help reduce the administration and cost of operating the scheme and would take some claimants out of entitlement (as demonstrated in the Wakefield scheme commentary). However, there is a balance to be struck between minimising cost and supporting those in need. Based on our current caseload, if we were to apply the £4 minimum entitlement used in this scheme, 1,700 of our claimants would lose their CTR entitlement
- This scheme does not avoid the issue of multiple billing changes, except for those who no longer qualify
- The scheme overall is less generous than our CTR scheme
- The complexity of the scheme has not been reduced



Council Tax Reduction – London Borough of Sutton

Sutton is currently one of 3 local authorities to operate a banded CTR scheme. The bands for Sutton are

Income Band	Weekly income range	Percentage
1	£0 - £150.00	80
2	£150.01 - £200.00	70
3	£200.01 - £250.00	60
4	£250.01 - £300.00	50
5	£300.01 - £350.00	40
6	£350.01 - £400.00	30
7	£400.01 - £450.00	20
8	£450.01 and over	0

The fundamental change is that the assessment is no longer based on comparing income to applicable amounts and premia and tapering away entitlement as income rises.

The scheme is based on the income of the household; the amount of income will determine which band they fall into and therefore the amount of CTR. If the customer or any partner is in receipt of Income Support, Employment and Support Allowance (income related), Job Seekers Allowance (income based) or maximum Universal Credit, they will automatically be placed in band 1.

Households could have a change in income but still retain the same entitlement provided they didn't move between bands. A household with a weekly income of £450.01 or above will not be entitled.

A capital limit has been set at £10,000.

Observations

- This scheme will mitigate the collection problems of frequent income changes. The extent of the mitigation is linked to the size of the income bands. Bands create a 'cliff edge' in entitlement. The wider the band the bigger the 'cliff edge'. Having more, narrower, bands reduces the 'cliff edge' change in entitlement, but it also increases the likelihood that relatively small changes in income will move the claimant into another Band; which would then require re-billing
- Simplicity is a key feature of this scheme together with greater transparency. Because considerations such as 'income taper' do not feature in this scheme, a simple set of tables could be published that would help claimants calculate their entitlement themselves
- However, many will feel the scheme suffers from a lack of fairness as it fails to take account of household circumstances, other than income. For instance a single person with income of £200 per week will receive the same weekly entitlement as a family of four receiving the same income

