

## **Report of the Strategic Director Corporate Services to the meeting of the Corporate Overview & Scrutiny Committee to be held on 8 August 2017**

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**Subject:**

**Council Tax Support**

**Summary statement:**

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

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Stuart McKinnon-Evans  
Strategic Director Corporate Services

**Portfolio:**

**Leader of Council**

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**Overview & Scrutiny Area:**

**Corporate**

## **1. SUMMARY**

- 1.1. This report looks at options for revised Council Tax Support arrangements.
- 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 – Appendix 1) highlighted current and future challenges for the operation and delivery of the Council Tax Reduction (CTR) scheme for working age households.
- 2.2. A further report (Council Tax Support; 19 July 2017 – Appendix 2) presented models of Council Tax Support arrangements currently being operated by four other Local Authorities for consideration. The report sought views 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.
- 2.3. During the discussion about options for the delivery of council tax support, Members suggested that;
  - the level of support to the poorest should be increased; particularly for working families
  - the scheme had to be fair and help people who were struggling
  - the scheme should address the needs and problems facing claimants and is not just administratively convenient
  - any new scheme should be phased in
- 2.4. Members acknowledged that there were pros and cons to all the different schemes, and that it was difficult to say what will work in the Bradford context. The Committee requested that a further report, which included some illustration of the impact on residents of the different schemes, be brought in August 2017.

## **3. OTHER CONSIDERATIONS**

- 3.1. At the 19 July meeting, Members requested that further analysis of what the impact would be if the four models of council tax support operated by other Local Authorities highlighted in the report were to be applied to Bradford's caseload.
- 3.2. In considering these impacts it should be noted that these schemes operate in different and complex ways. Each scheme will have been designed to achieve a different set of outcomes depending on local priorities; e.g. to reduce or maintain scheme costs, incentivise work, protect the poorest, mitigate the impact of Universal Credit, reduce administration, increase transparency etc.
- 3.3. To illustrate this, a number of scenarios have been applied to each of the schemes to show how they compare with the support provided by Bradford's current CTR scheme. These are summarised in Appendix 3. These examples show that each

scheme can produce very different outcomes depending on individual circumstances.

- 3.4. Attempting to analyse individual cases, or groups of cases, is further complicated by the way in which claimant groups are categorised. Bradford claimants are categorised as shown in table 1 below. Categorisation is hierarchical, so, for example, a lone parent with a child under 5 in receipt of Income Support will be classed as 'Household Vulnerable', but if they were in receipt of Carers Allowance they would be categorised as 'Bradford Vulnerable'.

<b>Category</b>	<b>Criteria</b>	<b>Support</b>	<b>Caseload</b>
Pension Age	Pension Age	100%	17,094
Bradford Vulnerable	In receipt of Severe or Enhanced Disability Premium or Carers Allowance	100%	12,575
Disabled	Not classed as severe (not included above)	75%	2,222
Household Vulnerable	Families with children under 5	75%	5,305
Working age – employed	Employed (not in included above)	75%	3,112
Working age – other	Not classed above	75%	6,579
			<b>46,887</b>

Table 1

- 3.5. The Pension age scheme (which is prescribed nationally) provides up to 100% protection for 17,094 claimants (table 1). There are also 12,575 working age claimants in the Bradford Vulnerable group who are also supported up to 100% of their liability. This means that almost 30,000 claimants (63.3% of the CTR caseload) have their entitlement assessed on 100% of their liability.
- 3.6. Accurately assessing the cost of each of these schemes in Bradford is difficult as all 47,000 cases would have to be assessed against each scheme. Changes of this significance require a software update, and it is impractical, both operationally and financially, to do this. However, our software providers does offer a tool that allows some analysis and Table 2 below provides a preliminary analysis of the cost of a scheme if Bradford's working age CTR caseload was mapped to the other four local authority schemes.

<b>Model</b>	<b>Cost – Working Age</b>	<b>Cost Difference</b>
Bradford CTR	£20.6m	£0m
Leeds UC scheme	£18.4m	-£2.2m
Wakefield	£16.5m	-£4.1m
Derby	£15.m	-£5.6m
LB Sutton	£17.4m	-£3.2m

Table 2

- 3.7. There are several reasons why each of the schemes cost less than Bradford's current scheme, but the overriding one is the lack of additional support for certain groups:-

- Leeds – maximum protection at 75%
- Wakefield – maximum protection at 70%
- Derby – Capping support at Band A, maximum protection at 70%, minimum entitlement of £4
- LB Sutton – maximum protection 80%

3.8. If the Council was minded to increase support for the poorest (which could also help reduce multi-year debt) either additional funding - in reality, Council Tax forgone - needs adding to the scheme, or the protections above 75% will need to be reduced or removed. For illustration, Table 3 below shows the effect that changing protections would have on the cost of the current CTR scheme.

<b>Unprotected groups</b>	<b>Disabled and carers</b>	<b>Scheme Cost</b>	<b>Difference from current CTR scheme</b>
75%	100%	£34.45m	£0.00
80%	100%	£35.23m	£0.78m
90%	100%	£36.79m	£2.34m
80%	90%	£34.12m	-£0.33m
85%	90%	£34.90m	£0.45m
All 100%		£38.27m	£3.82m
All 90%		£35.68m	£1.23m
All 80%		£33.00m	-£1.45m
All 75%		£31.60m	-£2.85m

Table 3

3.9. Three of the four local authority schemes were introduced in full. This means that any cost savings will be made in the first year, and each year thereafter. However, Leeds is phasing in the new scheme; with existing claimants migrating to the new scheme when they move onto Universal Credit. Consequently, full realisation of any cost savings will not be made in the first year, and will only be fully realised when the full caseload has migrated to the new scheme.

3.10. The reason behind this decision is that they believe, in general, those in a protected group will be more likely to be better off under Universal Credit. They have also introduced a hardship scheme to support those that lose protections, funding this from some of the savings made

3.11. Irrespective of how any new arrangements are introduced, the Council is required to consider if transitional support for those adversely affected is necessary.

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

4.1. Detailed financial analysis of the options for future CTS provision will be undertaken once the Executive have identified the options they would like to consult on.

## **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 information contained 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 Collection: CO&SC Report, 5 April 2017
- Appendix 2: Council Tax Collection: CO&SC Report, 19 July 2017
- Appendix 3: Examples of CTS entitlement

## **12. BACKGROUND DOCUMENTS**

- Local Government Finance Act 2012
- CBMDC Council Tax Reduction scheme

**City of Bradford MDC**

[www.bradford.gov.uk](http://www.bradford.gov.uk)

## **Report of the Strategic Director Corporate Services to the meeting of the Corporate Overview & Scrutiny Committee to be held on 5 April 2017**

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### **Subject:**

Council Tax Collection

### **Summary statement:**

This report details the performance of Council Tax collection and the Council Tax Reduction scheme, and the current and future challenges affecting council tax collection and council tax support arrangements

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### **Overview & Scrutiny Area:**

**Corporate**

## **1. SUMMARY**

- 1.1. This report explores the performance and challenges for Council Tax collection and Council Tax Reduction, the impact of the introduction and implementation of Universal Credit, and the options for future Council Tax Support currently being explored.

## **2. BACKGROUND**

- 2.1. Council Tax is raised on an annual basis, following the budget setting process, for all households in the Bradford District; and this is then collected over the course of the financial year.
- 2.2. A Localised Council Tax Support scheme, Council Tax Reduction (CTR), was introduced in 2013/14. The introduction of the CTR scheme increased the number of accounts that have to be collected by creating a new Council Tax liability for those that were previously exempt under the Government's Council Tax Benefit scheme.
- 2.3. A change to the working-age scheme was introduced for 2016/17 which provided increased support, up to 100% of Council Tax liability, for those that qualify for a severe or enhanced disability premium, or the Carers premium.
- 2.4. Universal Credit (UC) will go fully live across the Bradford District in March 2018, at which point all new working age Job Seekers Allowance (JSA), Housing Benefit (HB), Income Support (IS), Employment Support Allowance (ESA), Working Tax Credit (WTC) and Child Tax Credit (CTC) claimants will fall within the scope of UC. Currently, eligibility to claim UC is limited to newly unemployed working age single people.
- 2.5. A proportion of the HB caseload will migrate to UC over time if there is a significant change to the claimant's benefits. For those that do not, a process called 'Forced Migration' will move all remaining HB claimants onto UC. This is expected to take place between July 2019 and March 2022: The Department for Work and Pensions (DWP) has yet to release precise details of the 'Forced Migration' schedule.
- 2.6. The Council Tax collection report to Corporate Overview & Scrutiny Committee on 14 April 2016 highlighted the challenges that UC creates for the Council and residents; and the need to re-examine the provision of Council Tax Support for the Bradford District.
- 2.7. Executive, 11 October 2016, requested that options for the future delivery of Council Tax Support be developed for consideration.

## **3. OTHER CONSIDERATIONS**

- 3.1. The CTR scheme seeks to support vulnerable residents who may otherwise struggle to pay their Council Tax. The current CTR scheme is means tested and can provide for a reduction of net council tax liability;



- Working age Council Tax payers, or their partner, who qualify for a severe or enhanced disability premium, or the Carers premium, could receive a reduction of up to 100%
- All other working age Council Tax payers could receive a reduction of up to 75%
- The scheme for those of pension age, which allows a reduction of up to 100%, is prescribed by national legislation and cannot be changed by the Council

3.2. There has been a decline in the number of CTR claimants over the past few years. This is, in part, due to the upturn in the economy, which has resulted in fewer working age claimants, and the phased increase in the state pension age. Table 1 below illustrates the impact of the reduction in the number of CTR claimants over the past three years.

Claimant Category	2014/15		2015/16		2016/17	
	number	cost	number	cost	number	cost
Pension Age	19,400	£14,224,340	18,267	£13,615,480	17,391	£13,203,247
Working age						
• Disabled/Carers now protected	N/A	N/A	N/A	N/A	11,327	£9,365,163
• Disabled	8,719	5,214,971	10,305	£6,498,603	2,569	£1,629,773
• With children under 5	6,771	£3,874,395	6,266	£3,485,155	5,520	£3,102,902
• In employment	3,488	£1,369,861	3,470	£1,306,064	3,220	£1,361,287
• Other	12,865	£6,961,492	10,491	£5,366,629	7,303	£4,025,413
<b>Total</b>	<b>51,243</b>	<b>£31,645,060</b>	<b>48,799</b>	<b>£30,271,939</b>	<b>47,330</b>	<b>£32,687,787</b>

Table 1

- 3.3. The introduction of 100% support for the severely disabled and carer has resulted in changes to the other reported groups in table 1. It is difficult to draw firm conclusions about which groups have reduced as a consequence of fewer claimants - other than pension-age claimants which will reduce as state pension age continues to rise.
- 3.4. All 11,327 claimants that qualify for a severe or enhanced disability premium have benefitted from the increase in support; with 9,461 of them receiving the full 100% discount and having no Council Tax to pay.
- 3.5. There are also 11,896 pension age claimants in receipt of 100% CTR. This means that, in total, 21,357 CTR claimants have no Council Tax to pay; which equates to 45% of the total CTR caseload.
- 3.6. Table 2 shows the number of households, the amount of Council Tax liability and CTR, and the Council's performance in collecting current year Council Tax (estimated for current year) over the past four years.

At the end of February 89.17% of the current years Council Tax liabilities have been collected which is an improvement on the same point last year when 88.92% had been collected.

Billing Year	No. of Households	Council Tax Liability	CTR	In year collection
2016/17	214,864	£194m	£32.7m	(Est.) 94.5%
2015/16	213,645	£185m	£30.3m	94.2%
2014/15	212,157	£178m	£31.7m	94.2%
2013/14	210,713	£172m	£32.7m	94.3%

**Table 2**

3.7. Council Tax collection is closely and regularly monitored to ensure that collection is maximised. One of the key measures of performance is the “in year” collection rate; which relates to the amount of Council Tax collected in the year for which it was raised. Whilst in year collection is a key measure and is commonly used to benchmark performance against other local authorities, collection efforts continue to ensure that over time all the Council Tax that is collectable is collected. The following table demonstrates that the Council has collected 98.3% of the charge it raised in 2011/12 and efforts continue to collect any remaining arrears.

Year of Charge	% Collection at 1st March 17
2011 -12	98.3%
2012 -13	98.2%
2013 -14	97.4%
2014 -15	96.5%
2015 -16	95.6%

**Table 3**

3.8. The majority of Council Taxpayers, including those in receipt of CTR, do pay their charge as billed or following receipt of a reminder notice. However, where non-payment occurs, prompt enforcement action is taken, in accordance with the Council’s collection policy.

3.9. There are a number of factors that continue to make collection difficult, including;

- High levels of deprivation in the district that can create payment difficulties for some residents, including those in receipt of CTR.
- Multi year debt, where Council Tax payers are in arrears for more than the current year. Tax payers are expected to pay the current liability and have an arrangement in place to pay the outstanding balance in instalments – this arrangement may often need to be in place for more than a year.
- Where a liability order has been issued to someone on benefits, an attachment to benefits may not always be possible, particularly if the claimant has other priority debts. Where it is possible, the growing problem of it being insufficient to cover the annual charges is adding to the multi-year debt situation (as described in 3.13-14).

3.10. Collection rates of Council Tax declined following the introduction of the CTR scheme in 2013/14 but they are improving again and for CTR working-age recipients, collection rates are certainly not as initially feared, but they still remain lower than non-CTR collection rates.

3.11. Collecting Council Tax from CTR working-age recipients is proving to be resource intensive and time-consuming, due to the minimum payment being required by

working age households, resulting in the Council having to collect often small amounts of Council Tax from these residents.

- 3.12. Table 4 below shows the various collection levels for the different CTR groups. As would be expected pensioners, who still receive 100% relief, are by far the best payers. Those with a disability are the next group, and this was the case, both before and after, those with a severe disability were protected. Those we have the most difficulty collecting Council Tax from continue to be those that don't fall in to any other group and are predominantly those out of work

Claimant Category	Liability 2014/15	Collected at 31 March 2015	Liability 2015/16	Collected at 31 March 2016	Liability 2016/17	Collected at 28 Feb. 2017
Pension Age	£2,337,812	99.5%	£2,401,958	99.8%	£2,218,241	97.9%
Working age						
• Disabled/Carers now protected	N/A	N/A	N/A	N/A	£611,003	90%
• Disabled	£2,547,548	82.5%	£2,664,761	81.3%	£681,663	74.3%
• With children under 5	£1,957,232	76.0%	£1,992,650	74.2%	£1,805,532	71.1%
• In employment	£1,694,147	81.0%	£1,704,961	79.6%	£1,669,061	75.1%
• Other	£2,894,901	72.0%	£2,849,667	71.0%	£2,092,232	66%
<b>Total</b>	<b>£11,431,640</b>	<b>83.5%</b>	<b>£11,613,997</b>	<b>82.5%</b>	<b>£9,077,732</b>	<b>80.6%</b>

Table 4

- 3.13. Multi-year debts continue to be a challenge for the Council, with a significant number of CTR working age recipients having arrears from previous years. These arrears are often not paid off before a new Council Tax bill is issued. Based on experience to date, there is an obvious problem of an accumulation of arrears, for CTR working age recipients that are unlikely to be paid off. In order to mitigate this problem the Service is making an assessment on individual cases and where the arrears or a proportion of the arrears are considered irrecoverable due to the individuals circumstances then these will be considered for 'write off'. The consequence of this is higher levels of 'write-off' than originally anticipated.

- 3.14. Table 5 illustrates the extent of the problem of multi-year debt amongst CTR claimants. Around £1.5m is currently the subject of an attachment of benefit, from over 9,000 taxpayers. A similar number and amount is sat pending a deduction being made, because the person is already included in the aforementioned group.

Financial year of debt	Attachment of Benefit in place		Attachment of Benefit Pending		Grand Total	
	£	No.	£	No.	£	No.
2013	£245,491	1,756	£141,386	883	£386,877	2,639
2014	£461,028	3,011	£311,589	1,877	£772,618	4,888
2015	£630,452	3,619	£580,396	3,168	£1,210,849	6,787
2016	£215,818	1,080	£445,085	2,201	£660,904	3,281
<b>Grand Total</b>	<b>£1,552,790</b>	<b>9,466</b>	<b>£1,478,458</b>	<b>8,129</b>	<b>£3,031,249</b>	<b>17,595</b>

Table 5

- 3.15. Despite the pressures of collection the Service ensures that the Council's debt

collection practices remain in line with best professional practice and latest Government guidance, and that processes are proportionate to the debt involved.

- 3.16. The Service continues to introduce improvements to support Council Tax payers and increase collection and in the last 3 months one such improvement has seen the Service dedicate 15 staff to working 4pm - 7pm, 4 days a week to proactively contact those Council Tax payers who default on a previously made arrangement. This is intended to improve collection as well as supporting those Council Tax payers, who default on a payment, to quickly reinstate any arrangement before substantial arrears build up.
- 3.17. The Council's collection policy is updated as new learning, operational improvements and legislative changes dictate; and clearly explains to taxpayers how the Council will collect and recover Council Tax. The collection policy is regularly updated and is available on the Council's website.

### **Scheme Changes**

- 3.18. The introduction of Universal Credit presents some challenges for the administration of the current CTR scheme, and provides an opportunity to consider if and how the Council might better administer and deliver Council Tax Support. Recognising this, the Executive, on 11 October 2016, requested that options for the future delivery of Council Tax Support be developed for consideration.
- 3.19. The current CTR scheme requires that changes in a claimant's circumstances are assessed to determine if there is a change in CTR eligibility; and if so, to recalculate entitlement and issue a new Council Tax bill. UC claimants have their entitlement to UC assessed monthly by the DWP. If the claimant is in receipt of CTR, and there is a change in their assessment, details are passed to the Council; which are then assessed for changes to eligibility. This means that there can be up to 12 changes to CTR entitlement a year - and 12 new Council Tax bills
- 3.20. A preliminary examination of CTR accounts indicates that the average number of changes for those in receipt of UC is ten times that of a comparable cohort of non-UC CTR claimants. Currently, there are around 350 UC claimants in receipt of CTR, and it is anticipated that by March 2018 that number will increase to around 700.
- 3.21. Once Full Service is introduced, those claimants closest to employment (e.g. in and out of temporary work) will migrate to UC, while those furthest from employment, such as those with long-term health conditions, will continue to claim HB until Forced Migration. Evidence from other areas that have moved to Full Service suggests that as much as 30% of the Housing Benefit caseload will move to UC within the first six months.
- 3.22. The administrative burden created by the, relatively slow, growth in the UC/CTR caseload is being managed within existing resources. However, the rapid increase in UC caseload from March 2018 will mean this will no longer be the case. In addition, resource efficiencies gained by being able to process HB and CTR claims jointly will diminish.

- 3.23. Therefore, when considering future support arrangements a balance needs to be struck between a scheme that is affordable, minimises the administrative burden (including collectability of the debts) and is able to target support to the most vulnerable. Revision of existing CTR provision could also provide an opportunity to address, and reduce the likelihood of, multi-year debt - the biggest challenge with the scheme as it currently operates.
- 3.24. Whilst limited financial modelling is underway, this needs to be informed by some broad principles. Officers are currently using two broad approaches that strike the balance between ensuring the cost of CTS is managed effectively and the cost of administration is minimised. These are:s
- 3.24.1. A scheme that treats income in a simpler, more transparent way could help to reduce administration costs and make it easier for residents to understand. For example, a scheme that;
- uses income bands to determine support would be easy to understand and administer - If income changes, action, such as issuing a new bill, would only be required if the change resulted in a change of income band
  - only assesses non-state benefit derived income would similarly be easy to understand and administer - those completely reliant on benefits would be automatically pass-ported to maximum support, while those with other income would be means tested
- 3.24.2. For those in receipt of a UC payment, a more radical, and simple, approach would be to award support, proportionately, based solely on the council tax band of the property.

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

- 4.1. Historically, the Council eventually collects approximately 98.5% of Council Tax due (see para 3.7 above), however, the introduction of CTR will make this unlikely. Some debt will always be uncollectable due to factors such as untraceable taxpayers, deaths, bankruptcy and where the Magistrates have chosen to remit a debt.
- 4.2. The forecast cost (Council Tax forgone) for the current year of providing Council Tax Reduction is £33m.
- 4.3. As the Housing Benefit caseload reduces, administration funding from DWP will be reduced accordingly. It is not clear at this time to what extent the DWP will fund the administration of CTR and the consequent burden created by Universal Credit.
- 4.4. Detailed financial analysis of the options for future CTS provision has still to be undertaken, but in establishing the new arrangements there are a number of factors that will require consideration; and possibly mitigation.
- Each option may deliver a different outcome for claimants
  - Claimants moving to UC may experience a different financial outcome than under the current benefit regimen

- The overall cost of the adopted CTS arrangements could be greater, or less, than the current arrangements
  - Council Tax collection could be impacted
- 4.5. 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. 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. The Equality and Diversity implications of the current Council Tax Reduction scheme were considered as part of the Council's decision making process.

### **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 notes the on-going work to both increase council tax collection and to support the District's most vulnerable residents
- the Committee consider the issues highlighted in the report and express its views on the development and delivery of future Council Tax Support arrangements

## **11. APPENDICES**

None

## **12. BACKGROUND DOCUMENTS**

- Local Government Finance Act 2012
- Council Tax Collection: CO&SC Report, 14 April 2016
- Localised Council Tax Support: Executive Report, 11 October 2016
- CBMDC Council Tax Reduction scheme

**City of Bradford MDC**

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## **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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### **Portfolio:**

**Leader of Council**

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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.

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 is 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 1<sup>st</sup> 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 and 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. 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 differs from our scheme in that;

- 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
- 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.



**Examples of Council Tax Support Scheme entitlement**

Example		Claimant Category*	Weekly charge	Weekly Entitlement					Maximum Variation
				Current Bradford scheme	Leeds UC scheme	Wakefield scheme	Derby scheme	LB Sutton banded scheme	
1	Couple - 2 children, Employment Support Allowance, Disability Living Allowance and Carers Allowance, Band A property	Bradford vulnerable	£18.79	£18.79	£14.09	£13.15	£13.15	£15.03	£5.64
<p>In this example, Bradford's current scheme is more generous than the other schemes because the CTR scheme provides for up to 100% support - in receipt of Carers Allowance.</p>									
2	Couple with 1 child under 5, Job Seekers Allowance, Band B property	Household vulnerable	£21.92	£16.44	£16.44	£15.34	£13.15	£17.54	£4.39
<p>In this example, Bradford's current scheme is more generous than the other schemes because the CTR scheme provides for up to 100% support - in receipt of Carers Allowance.</p>									
3	Lone Parent with 2 children, employed earnings of £108.83 per week, tax credits, Band A property	Working age employed	£14.09	£3.35	£5.21	£2.64	nil	£7.05	£7.05
<p>In this case, the claimant is much better off under the Sutton scheme; with entitlement of £8.45. In contrast, the claimant would receive nothing under the Derby scheme because there is a minimum entitlement threshold of £4</p>									

4	Couple with 1 child, employed earnings of £74.49 per week, tax credits, Band A property	Working age employed	£18.79	£13.79	£14.09	£11.65	£11.65	£11.27	£2.82
<p>In this case, the claimant is better off under the Leeds scheme. This is because only earned income is taken into account. Bradford's scheme takes earned income, tax credits and any other benefits (other than child benefit) into account when calculating entitlement.</p>									
5	Couple with 2 children, employed earnings of £257.65 per week, tax credits, Band C property	Working age employed	£25.05	£2.59	nil	£1.37	nil	£10.02	£10.02
<p>This case provides a contrast to case 4, and illustrates how the different schemes can affect entitlement differentially. In case 4, the claimant (with an earned income) was better off under the Leeds scheme. However, in this case, the level of earnings has taken the claimant out of entitlement entirely from the Leeds scheme, while entitlement under the Sutton scheme has only reduced by a relatively small amount</p>									
6a	Single person, Job Seekers Allowance, Band A property	Working age other	£14.09	£10.57	£10.57	£9.86	£9.86	£11.27	£1.41
6b	Single person, Job Seekers Allowance, Band C property	Working age other	£18.79	£14.09	£14.09	£13.15	£9.86	£15.03	£5.17
<p>Cases 6a&amp;b illustrate the impact of capping support at Council Tax Band A, as is the case with the Derby scheme. In case 6a the maximum variation between the schemes is £1.41, with Wakefield and Derby having the lowest eligibility of £9.86. However, case 6b shows that someone in the same situation as case 5, but living in a band C property, will be £3.29 worse off than under the Derby Scheme than the Wakefield schemes – more when compared to the other schemes.</p>									
7	Single person, Employment Support Allowance (Support Component), Band A property	Bradford vulnerable	£14.09	£14.09	£10.57	£9.86	£9.86	£11.27	£4.23

8	Couple, 1 child, Employment Support Allowance (Support component), Personal Independence Payment, Band B property	Bradford vulnerable	£21.92	£21.92	£16.44	£15.34	£13.15	£17.54	£8.77
9	Lone Parent with 2 children, Employment Support Allowance (Support component), Band C property	Bradford vulnerable	£19.22	£19.22	£14.42	£13.45	£10.09	£15.38	£9.13
<p>Examples 7 to 9 illustrates how variation in circumstances does not affect the level of entitlement for those in the Bradford Vulnerable group; and that they will always be better off under the current CTR scheme</p>									

Table 1

\*See Table 2 for explanation

**Claimant Categories**

<b>Claimant Category</b>	<b>Criteria</b>	<b>Maximum Entitlement</b>
Bradford Vulnerable	In receipt of Severe or Enhanced Disability Premium or Carers Allowance	100%
Disabled	Not classed as severe (not classed above)	75%
Household Vulnerable	Families with children under 5	75%
Working age – employed	Employed (not in another class)	75%
Working age – other	Not classed above	75%

Table 2