

Report of the Strategic Director Corporate Services to the meeting of Executive to be held on 10 October 2017

V

Subject:

A Council Tax Reduction scheme for 2018/19

Summary statement:

Legislation requires each Billing Authority to consider, annually, whether it wishes to revise its Council Tax Support arrangements

Since 2013/14, funding for Council Tax Reduction is provided through the Revenue Support Grant. The Revenue Support Grant has been subject to reductions annually, and is expected to reduce to zero by 2020/22. Continued funding of Council Tax Reduction is, therefore, becoming a significant financial pressure for the Council

This report considers the impact of the Council Tax Reduction scheme on the Council's budget and Medium Term Financial Strategy; and the burdens that the inclusion of all working age households in the scope of Universal Credit from March 2018 will have on the administration and delivery of the current Council Tax Reduction scheme

Executive is asked to make a decision on the scheme for 2018/19 to go out to consultation

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Overview & Scrutiny Area:

Corporate

1. SUMMARY

- 1.1. Legislation requires each Billing Authority to consider, annually, whether it wishes to revise its Council Tax Support arrangements.
- 1.2. Since 2013/14, funding for Council Tax Reduction is provided through the Revenue Support Grant (RSG). The RSG has been subject to reductions annually, and is expected to reduce to zero by 2020/22. Continued funding of Council Tax Reduction is, therefore, becoming a significant financial pressure for the Council.
- 1.3. This report considers the impact of the Council Tax Reduction scheme on the Council's budget and Medium Term Financial Strategy and the burdens that the inclusion of all working age households in the scope of Universal Credit, from March 2018, will place on the administration and delivery of the current Council Tax Reduction scheme.
- 1.4. Executive is asked to make a decision on the scheme for 2018/19 to go out to consultation.

2. BACKGROUND

- 2.1. As part of its welfare reform programme the Government passed responsibility for providing Council Tax Support for working age claimants to Local Authorities; with effect from April 2013. The funding provided to councils and major precepting authorities was an amount equal to forecast expenditure, less 10%. This funding stream was subsequently subsumed into the Revenue Support Grant.
- 2.2. Council Decision (11 December 2012) was to adopt a Localised Council Tax Support scheme, known as Council Tax Reduction (CTR) for 2013/14. The means tested scheme applied to all working age claimants; with entitlement for support assessed on 75% of the net Council Tax liability.
- 2.3. The scheme for Pension age claimants, which assesses entitlement for support based on 100% of the net Council Tax liability, is prescribed nationally. The Council cannot make any amendments to the pension age scheme.
- 2.4. Council Decision (8 December 2015) was to amend the CTR scheme to increase the maximum level of support to 100% of net Council Tax liability for claimants in receipt of the Severe or Enhanced Disability Premium, or the Carers Premium.
- 2.5. The Government provided £29.8m to fund the CTR scheme in 2013/14 via the Revenue Support Grant (RSG). RSG has, since then, been reduced significantly, and is expected to reduce to zero in 2020-2021. Continued funding of Council Tax Reduction is, therefore, becoming a significant financial pressure for the Council.
- 2.6. Universal Credit (UC) replaces Income Support, Income-based Jobseekers Allowance, Income-based Employment and Support Allowance, Working Tax Credit, Child Tax Credit, and Housing Benefit with a single monthly payment. UC for newly unemployed single working age claimants was introduced across the Bradford District in November 2015.

- 2.7. Universal Credit will be expanded from March 2018 to include all working age households. New benefit applications will be made directly for UC while existing claimants will gradually migrate across so that by March 2022 all claimants will be on UC. Council's that have already moved to UC report collection difficulties as a result of continual revisions of liability that monthly UC assessment creates.
- 2.8. Executive Decision (11 October 2016) was to continue the CTR scheme in 2017/18 un-amended; and that a report is submitted "... detailing the options for a new model of Council Tax Support, including an analysis of the impact on the Medium Term Financial Strategy..."

3. OTHER CONSIDERATIONS

Council Tax Reduction (CTR) Scheme

- 3.1. The cost of the CTR scheme is now difficult to support. Table 1 shows how this has changed over time. In the first year of the local scheme, Government funding for council tax support, £29.8m, was added to the Revenue Support Grant (RSG), bringing it up to around £183m in 2013/14. The eventual cost to Bradford in that first year was £27.8m, or 15.2% of RSG. Since then the removal of Government grant has seen the RSG reduce to £63m in the current financial year, and CTR accounted for 46% of it. In 18/19, when RSG drops to £48.5m, it will account for over 63% of the funding.

	Full cost	Bradford's cost	RSG	% of RSG
2013/14	£32,710,000	£27,803,500	£182,863,000	15.2%
2014/15	£31,480,000	£26,758,000	£149,374,000	17.9%
2015/16	£30,320,000	£25,772,000	£107,391,000	24.0%
2016/17	£33,060,000	£28,101,000	£83,947,000	33.5%
2017/18*	£34,447,853	£29,280,675	£62,849,000	46.6%
2018/19	£36,170,246	£30,744,709	£48,539,000	63.3%

Table 1

- 3.2. There are currently more than 46,000¹ households, including pension age claimants, in receipt of CTR. Of these, 63% have their eligibility assessed on 100% of their net Council Tax liability. The CTR caseload is made up of;
- 16,989 - Pension age claimants (assessed on 100% of net Council Tax liability)
 - 12,728 - Working age claimants in receipt of the Severe or Enhanced Disability Premium, or the Carers Premium (assessed on 100% of net Council Tax liability)
 - 17,134 - Working age, all other claimants (assessed on 75% of net Council Tax liability)

¹ Caseload figures as at August 2017

- 3.3. At first the CTR caseload reduced (Appendix 1) for both working age and pension age claimants. The reduction in caseload of working age claimants was initially ascribed to the upturn in the local economy; but the working age caseload now appears to have plateaued and during 2017 has started to increase (graph 1). The reduction in pension age claimants (graph 2) is predominantly due to pension-age equalisation and is likely to continue to reduce while the Government's pension-age equalisation programme continues.
- 3.4. The cost of council tax support has not reduced in line with the reduction in caseload due to the introduction of increased support for claimants in receipt of the Severe or Enhanced Disability Premium, or the Carers Premium.
- 3.5. Most local authority council tax support schemes (264 out of 326) include a "minimum payment"; which requires everyone to pay at least some council tax regardless of income.
- 3.6. If Executive considers that the cost of council tax support is not sustainable, and is minded to reduce its cost, savings can only be made by making amendments to the working age CTR scheme.

Universal Credit (UC)

- 3.7. UC across the Bradford District currently applies to newly unemployed single working age claimants.
- 3.8. Its scope will be expanded from March 2018 to include all working age households. All new benefit applications will be made directly for UC while existing claimants will eventually migrate across; so that by March 2022 all claimants will be on UC.
- 3.9. UC claimants are assessed monthly by the DWP, and the Council is notified of any change that may affect CTR entitlement.
- 3.10. Each UC notification requires a re-assessment of the claimant's CTR entitlement. If an adjustment to entitlement is required, no matter how small, a new Council Tax bill is issued together with revised payment arrangements. This re-billing has the effect of delaying recovery of the council tax due.
 - For the claimant, billing delays mean that there are fewer instalments over which to spread their payments, which may increase the amount due in each instalment; leading to, or worsening, payment difficulties
 - For the Council, collection becomes increasingly difficult. Council's that have already moved to full UC report collection difficulties as a result of continual revisions of liability.
- 3.11. The remainder of this report sets out changes to the current scheme that will reduce the financial burden of CTR on the Council's budget, and to mitigate the adverse impacts of the introduction of UC Full Service.

Proposals to reduce the cost of the scheme

- 3.12. This proposal identifies three ways of reducing the financial burden of the scheme.

Each of them will bring challenges, but as a means tested scheme is retained those with lower incomes will remain entitled to more support than those with higher incomes. The 3 changes are shown in paragraphs 3.13 – 3.15.

- 3.13. Making changes to the maximum level of support a working age household can receive would make a significant reduction to the cost of the scheme. Setting the maximum for all working age recipients at 70% would mean that;
- the additional protection for those in receipt of the Severe or Enhanced Disability Premium, or the Carers Premium (12,728 claimants) would be removed
 - This would mean all working age households would be assessed on the same criteria. Those with a disability, carers and families would continue to receive more due to an additional needs allowance used in the calculation of their entitlement.
- 3.14. Capping support to that of a Band A property (a Band Cap) would have the effect of limiting the amount of benefit received by higher Band properties. Around 100 other council schemes include a Band cap. Limiting support to that of a Band A property would mean that;
- all claimants living in Band B to H properties, around 8,800 claimants, would see a reduction in their entitlement
 - those in a Band A property would not have their entitlement reduced; and the size of any reduction for Band B properties and above would increase in proportion to the increase in Council Tax Band
- 3.15. Finally, limiting entitlement of CTR to those that qualify for £4.00 or more per week would see support focused on the lowest income households; 1,276 of current claims would be affected by this change.
- 3.16. Taking all these changes together, all households would see a reduction in their entitlement, with around 2,000 losing entitlement altogether.
- 3.17. Second Adult Rebate can be given to claimants who are not eligible to claim a single person discount because they have another adult living with them; if that adult is not their partner and is on a low income. However, second adult rebate is not based on the council tax payer's income, or ability to pay, but on the income of the person who is living with them.
- 3.18. The removal of Second Adult Rebate would help to ensure that everyone receiving Council Tax Reduction is treated fairly and consistently and the Council Tax Reduction scheme is targeted at supporting those who are least able to pay. There are currently 176 claimants in receipt of second adult rebate at an annual cost of £33,000. 214 councils have reduced or removed the second adult rebate from their schemes.
- 3.19. Some claimants could be impacted by more than one change. Appendix 2 shows the effect that applying these changes will have on some claimants.

Proposal to changes the scheme to reflect the move to Universal Credit

- 3.20. By introducing a Minimum Change element within the current CTR scheme would provide some mitigation for the increase in UC notifications from March 2018. If a

change in income is within specified parameters, no change is made to the claimant's liability. When income changes outside the specified parameters, liability will be revised.

- 3.21. Setting a Minimum Change threshold at £1 per week is the equivalent to a £5 a week change in a claimant's income. Based on the 3 month period June to August 2017, 30% of reported changes resulted in a change to entitlement of less than £1.00 per week.
- 3.22. It is not possible to predict the number of claimants this would affect, and it is unlikely to have an impact on the cost of the scheme. However, it will simplify administration and remove some of the reported difficulties in collection.
- 3.23. In order to align Council Tax Reduction with Universal Credit, it is proposed to use a minimum level of income for those who are self-employed. This would be in line with the National Living Wage for 35 hours worked per week (variations would apply to part-time workers). Those with income above this amount would have their actual income used in the calculation of their CTR. There are currently around 1,500 self-employed claimants. This would be applied from the time the claimant migrates to Universal Credit and would not apply for the first year of self-employment when actual earnings would be taken in to account.

Providing support for those affected by changes to the CTR scheme

- 3.24. The Council is required to consider if, and what, support arrangements it might need to put in place to help those adversely impacted by changes to Council Tax Support arrangements.
- 3.25. If Executive is minded to provide short-term support to help CTR claimants adapt to the changes, the Council could introduce;

Either

- 3.25.1. A scheme that protects entitlement to a set level in each year. This would then phase in the reduction in entitlement over one, two or more years.
 - The Council will specify the changes (if not all) that would attract protection and to what extent
 - These protections would be applied to all eligible claimants irrespective of financial need

Or

- 3.25.2. A Discretionary scheme, which would provide support based on the financial need of claimants and their individual circumstances; again over one, two or more years
 - not everyone adversely affected by changes to the scheme would automatically receive support
 - the level of support provided would be based on individual circumstances (not a fixed amount)
- 3.26. An overview of how these schemes would operate is set out in Appendix 3. Funding for the cost of any support arrangements, and its administration, would reduce any savings that changes to the CTR scheme would provide.

Consultation Requirements

- 3.27. The Police and Fire & Rescue Services, as the major precepting authorities and as required by legislation, have been consulted on the options for changes to the current scheme. A verbal update on the outcome of the consultation will be given to the Meeting of the Executive.
- 3.28. Views on the development and shaping of a new or revised CTR scheme has also been sought from Corporate Overview & Scrutiny Committee and from Advice Services. A verbal update of the views and comments expressed by those consulted will be given to the Meeting of the Executive.
- 3.29. If Executive is minded to change its CTR scheme, legislation requires that consultation must be undertaken on the proposed scheme with those persons who are likely to have an interest in the operation of the scheme before a final decision on the scheme is made.
- 3.30. It is proposed that, if Executive is minded to amend the CTR scheme, a six week consultation on the proposed changes is undertaken with the public and others. The consultation will be undertaken via questionnaire and promoted through the Council's website, press and social media.

4. FINANCIAL & RESOURCE APPRAISAL

- 4.1. The Council's 2017-18 budgeted loss of Council Tax income due to Council Tax Reduction, was £28.6m. Based on current projections, the loss of Council Tax income is forecast to be slightly higher at £29.2m.
- 4.2. The loss of Council Tax income of around £34m quoted in table 1, (paragraph 3.4) includes the Council Tax foregone by the Preceptors. As a general rule, 85% of Council Tax billed is the Council's and 15% goes to the preceptors.
- 4.3. Prior to 2013-14, Council Tax Reduction was funded by the Government with a direct grant. From 2013-14, it was funded by the Council but the Government provided compensation via an RSG increase of £29.8m. This increase brought the RSG up to £183m in 2013-2014. In its first year, CTR accounted for 15% of RSG. Since then, RSG has reduced and in 2017/18 is £63m, with CTR accounting for 46% of this. RSG is expected to reduce to zero in 2020-2021.
- 4.4. If, after consultation, the recommendation is adopted, the Council Taxbase will increase by 3,180 Band D equivalents. This would see Bradford's share of Council Tax receipts increase by approximately £4m. This figure is based on an analysis of the impact of the changes on the current CTR caseload.
- 4.5. This takes no account of the costs of any transitional support scheme, nor the cost of administering that scheme. If appropriate these will be included in a subsequent report to the Executive

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1. Legislation requires that, if the Council is minded to amend or replace its CTR scheme, consultation must be undertaken on the proposed changes with those persons who are likely to have an interest in the operation of the scheme before a decision on the final scheme is made.
- 5.2. Any revised scheme must be adopted by Full Council by 31 January 2018, and be operational by 1 April 2018.
- 5.3. Adopting any changes made to the 2017/18 CTR scheme would constitute the new 2018/19 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.
- 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. Any change made to the existing (2017/18) CTR scheme will constitute a new Council Tax Reduction scheme, with effect from 1 April 2018 until such time as the scheme is further amended. Any such revised scheme must be adopted by Full Council by 31 January 2018.

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 Executive proposes any changes to the scheme, 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. It is not possible to provide a direct correlation between crime and welfare changes, but an increase in acquisitive crime may continue as the welfare reforms impact.

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. There are no Trade Union implications

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. Any such considerations that arise as a result of decisions made by Executive following this report will be addressed within the context of those decisions.

7.8. AREA COMMITTEE ACTION PLAN IMPLICATIONS

Not Applicable

8. NOT FOR PUBLICATION DOCUMENTS

8.1. None

9. OPTIONS

Option 1 – Retain the CTR scheme as it is

Pros

- The scheme is established and understood,

Cons

- Impact of changes in entitlement created by the introduction of Universal Credit will increase council tax collection difficulties, and payment difficulties for residents
- The cost of the scheme would not be reduced,

Option 2 – Undertake consultation on the proposed changes to the CTR scheme, as set out below, to inform a future Executive Decision

- The maximum amount of support is changed to 70% of that of a Band A property for all claimants
- Entitlement is limited to £4.00 per week or more
- Second Adult rebate is removed
- Any change in circumstances that do not result in entitlement to Council Tax Reduction changing by more than £1 per week will not be made
- When a self employed resident claims Universal Credit, their income level for Council Tax Reduction purposes will be assessed in the

same way as it is for Universal Credit, i.e. by using a minimum level of income

Pros

- Reduces the cost of the CTR scheme
- Mitigates the adverse impacts of Universal Credit
- Ensures support is targeted at those in most financial need

Cons

- Support for those in receipt of the Severe or Enhanced Disability Premium, or the Carers Premium will have their maximum entitlement reduced from 100% to, 70%
- Other working age claimants will lose some or all CTR entitlement

10. RECOMMENDATIONS

- That the Strategic Director of Corporate Services is instructed to undertake public consultation on the proposed amendments as set out in option 2 above to the CTR scheme to inform a future Executive decision on the scheme to be operated from 2018/19
- That the Strategic Director of Corporate Services is instructed to develop options to mitigate the impact of the proposed changes to the CTR scheme

11. APPENDICES

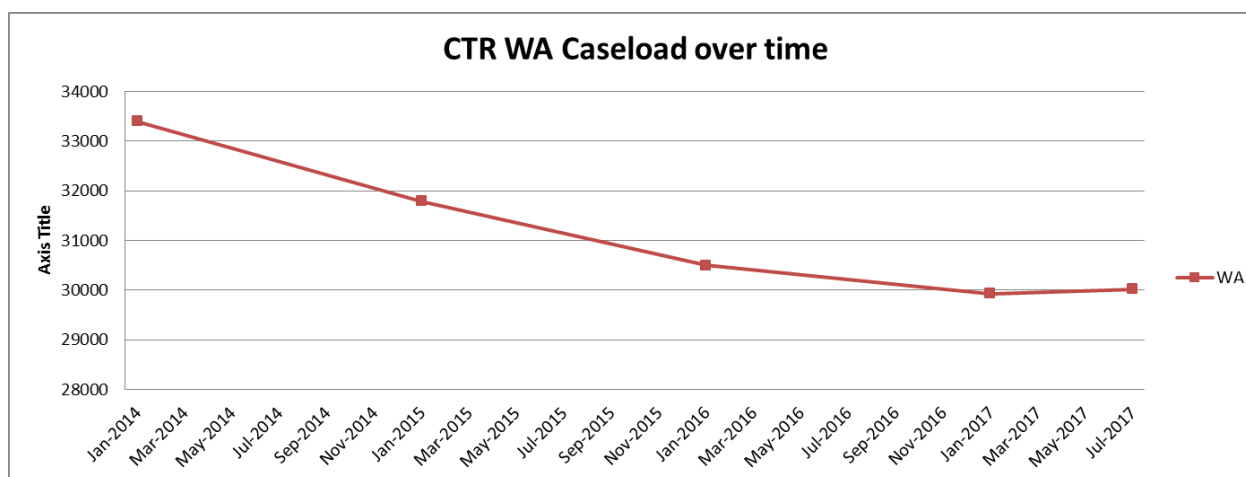
- Appendix 1: CTR Caseload Analysis
- Appendix 2: Impact Analysis of proposed CTR scheme changes
- Appendix 3: Support Schemes - Outline

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

CTR Caseload Analysis

Graph 1 – Change in Working Age Caseload over time



Graph 2 – Change in Pension Age Caseload over time

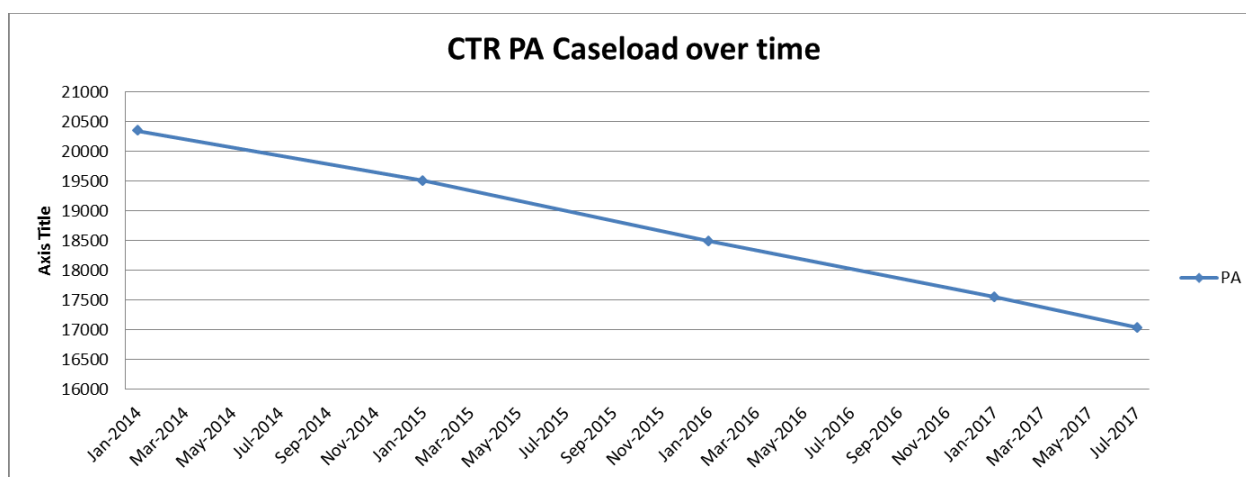


Table 1, Summary of CTR caseload change over time

	Pension Age	Working Age	Total Caseload	Bradford's cost*
Jan-2014	20,347	33,399	53,746	£27,803,500
Jan-2015	19,506	31,797	51,303	£26,758,000
Jan-2016	18,490	30,496	48,986	£25,772,000
Jan-2017	17,557	29,935	47,492	£28,101,000
Jul-2017	17,044	30,022	47,066	£29,280,675

* Bradford's cost relates to the financial year, for example 2013/14

Impact Analysis of proposed CTR scheme changes

Table 1

Impact of applying changes to the level of protection, capping support at Band A, and a £4 minimum Entitlement

Household circumstance	Impact	Weekly Council Tax	Weekly CT Reduction	Proposed weekly CT Reduction	Weekly reduction
Single disabled householder on full ESA living in band A property	Loses protection	£14.13	£14.13	£9.87	£4.26
Family, with disabled mother, neither in work, living in band C	Loses protection and entitlement restricted to 70% of Band A	£25.12	£25.12	£13.15	£11.97
Couple, one disabled, one in low paid work, living in band B property	Loses protection and entitlement restricted to 70% of Band A	£21.98	£21.98	£13.55	£8.43
Single man, out of work, living in band C property	Entitlement restricted to 70% of Band A	£18.84	£14.13	£9.90	£4.23
Couple, both out of work in band A property	Entitlement now assessed on 70% rather than 75% of charge	£18.84	£14.13	£13.15	£0.98
Couple, both out of work in band B property	Entitlement restricted to 70% of Band A	£21.98	£16.44	£13.15	£3.29
Working couple living in band A property	Entitlement now assessed on 70% rather than 75% of charge	£18.84	£10.86	£9.90	£0.96
Single woman, in work, living in Band B property	Entitlement restricted to 70% of Band A	£16.49	£12.33	£9.87	£2.46
Single man, in work, living in Band C property	Entitlement restricted to 70% of Band A	£18.84	£14.09	£9.87	£4.22
Working couple living in band A property, higher than minimum wage income	Entitled to less than £4:00 per week, therefore lose all benefit	£18.84	£2.52	£0.00	£2.52

Support Schemes - Outline

A scheme to phase in reduction in entitlement

A reduction in entitlement can, under a transitional protection scheme, be phased in over one or more years. Those claimants who are, under the current scheme, classed as vulnerable and therefore entitled up to a maximum 100% reduction would see the maximum reduce to 70% in line with all other working age claimants in the new CTR scheme.

To allow claimants time to adjust, the Transitional Protection scheme would 'top up' claimants' eligibility. So, for example, if the scheme is for two years, in year 1 (2018/19) the maximum could reduce to 90% and then reduce to 80% in year 2; in 2020/21 the maximum would equalise at 70%.

For all new claims (after 1 April 2018) from those who would have previously been classed as Bradford Vulnerable will be assessed on the level applicable in the year that the application is received.

Discretionary Scheme

This scheme would provide support to those in financial hardship because of a change in the level of support provided by the CTR scheme. Awards would be based upon a household's particular financial circumstances. They would be required to show that they were unable to pay the additional charge caused by the change to the CTR scheme.

Its availability would be publicised and customers would be required to apply. Support from the scheme will not be available for new CTR claims made after 1 April 2018.

An award may be considered where;

- a person was entitled to protected status in their CTR
- changes to the scheme mean that the claimant is no longer entitled to protected status, but otherwise would have qualified for protected status had the scheme not changed and;
- the claimant has demonstrated financial hardship and that they are unable to pay the Council Tax due

When determining if there is financial hardship account will be taken of all of the claimant's and any partner's income and expenditure and determine if they have surplus income with which to pay their Council Tax.

- Savings will be taken into account
- The income of other adults living in the household will be considered including the contribution they are making towards the household costs
- Specific allowances will be made in respect of actual expenses incurred by the claimant and their partner to cover extra health-related expenses for example

There will be an appeals process for anyone who disagrees with a decision made on their Discretionary Protection claim; this could lead to the case being heard by the independent Valuation Tribunal.

The scheme would run for 2018/19 and 2019/20 if applicable changes are implemented from 1 April 2018.