



# ***Council Tax Reduction Scheme & Discretionary Spend: Summary Report & 2016/17 Proposals***

Decision to be taken by: Assistant City  
Mayor Jobs & Skills

Decision to be taken on: 14 March 2016

Lead director: Alison Greenhill

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## Useful information

- Ward(s) affected: All
- Report author: James Rattenberry, Service Improvement Manager
- Author contact details: 0116 454 1616 / 371616  
[James.rattenberry@leicester.gov.uk](mailto:James.rattenberry@leicester.gov.uk)
- Report version number plus Code No from Report Tracking Database: v. 1.2

### 1. Purpose of report

**1.1** To propose amendments to the Council Tax Reduction Scheme in respect of 2016/17, and to highlight impacts and developments in respect of the Council's Discretionary Schemes in response to anticipated welfare reform changes.

### 2. Summary

**2.1** On 20 August 2015 the Executive received a report on forthcoming welfare reforms from April 2016 onwards and their likely financial impact on families in Leicester. A separate report identified the likely impact on demand for the Council's discretionary hardship funds, and noted that, without action, costs are likely to rise substantially.

**2.2** In light of legislative change to Housing Benefit regulations and impending welfare reform in the coming financial year, recommendations in respect of 2016/17 for the Council Tax Reduction Scheme (CTRS), Discretionary Housing Payments (DHPs), Council Tax Discretionary Relief (CTDR) and Community Support Grant (CSG) policies are explained here and summarised in the table at Appendix B.

**2.3** As illustrated in Appendix B, funding shortfall in respect of CTRS is already considerable and spend commitment is likely to increase in light of increased Council Tax liability from the Social Care precept and the impact of welfare reforms, although substantial savings cannot be realised without departing significantly from the current assessment model and a full public consultation taking place.

### 3. Recommendations

Following a comprehensive review of existing policy and procedure, the following proposals are recommended to be put before the Executive at the earliest opportunity detailed in Appendix A:

**3.1** The Executive are asked to consider the current Scheme and reflect upon whether any substantive changes are needed for the 2016/17 year, noting that (i) if they are minded to propose no substantive alterations/revisions to the existing Scheme (save for those which may be required following equivalent changes to national Housing Benefit legislation) then it can continue until March 2017; (ii) if they are minded to propose substantive amendments to the Scheme, these will need to be endorsed by Full Council as per para 3.8 below.

It is recommended that the existing scheme is retained with amendments in line with Housing Benefit legislation from April 2016 only – namely, the limitation of backdating to four weeks only, and the removal of the family premium for new claimants.

**3.2** The Executive needs to give consideration to revising existing financial parameters or consulting on a revised Council Tax Reduction Scheme for 2017/18 onwards, noting that either route will require Full Council to endorse a new Scheme prior to April 2017.

The Executive are asked to indicate a preference to review the scheme at this stage, having requested on the schemes adoption in 2013 this take place after three years operation. If Executive determines that the scheme requires significant change, then the proposals in Appendix C are recommended to be put forward for public consultation in order for a new scheme realising further savings to be determined and implemented in the 2017/18 financial year. The Executive are asked to note that the consultation period has to be a minimum of twelve weeks and must therefore begin in 2016.

**3.3** Discretionary Housing Payments and Discretionary Council Tax Relief schemes – to consistently apply requirements of demonstrating exceptional financial need and vulnerability to all claimants, and introducing a flexible model of award compliance to repeat claimants who would benefit from budgeting advice. Expertise is available through our social welfare advice contract and there is no budgetary impact of implementing this. To date no additional request for additional funds has been required through careful management of the scheme, although approval for additional funds may be sought in future should the central grant be exhausted.

**3.4** Community Support Grants – To retain existing budget into 2016/17. We intend to continue to realise efficiencies through working with Housing VOIDS and alternative, sustainable emergency food alternatives, for example volunteer-led community supermarkets and cafés and the use of recycled furniture, white goods and other household goods and a necessary review of The Furniture Bank (formerly Pass It On) pilot scheme in Spring 2016.

#### **4. Report/Supporting information including options considered:**

In respect of the above suggestions summarised in the enclosed table, the suggested changes in respect of 2016/17 are more fully explained below.

**4.1 The Council Tax Reduction Scheme** – Prior to April 2013, Council Tax Benefit was fully funded by central government. In 2013, Council Tax Benefit was abolished and local authorities were required to develop a local scheme with reduced funding. At Leicester City Council, a reduced budget of £22.7m was identified in the 2013/14 Settlement Funding Assessment (SFA), a cut in real terms of 38.4%. No element has been identified since in the SFA, but the grant has steadily reduced – allocating 10.23% of the SFA year on year indicates that if no changes are made to the scheme, the shortfall for 2016/17 based on the proposed SFA is £9.2m – see Appendix B.

**4.2** It is anticipated that the local authorities are to amend their schemes to reflect corresponding changes to Housing Benefit regulations, as has been the case in

previous years – for example, the exclusion of EEA national jobseekers no longer qualifying for Housing Benefit from 2013. Based on this assumption, the DCLG has issued Statutory Instruments reflecting these changes in the ‘prescribed scheme’ in relation to pension-age claims. Central funding allocation in respect of 2016/17 is based on the assumption these changes are also made to working-age claims. Departing from this convention would also require amendments and workarounds at cost to be applied to the existing benefits processing systems. Other than the below, the existing scheme is suggested to be retained pending Executives decision on a comprehensive review and consultation of the scheme to be delivered for 2017/18.

**4.3** Removal of the family premium from new CTRS claimants – this is an additional allowance for those with dependent children, predominantly for those in work, towards allowable income before Council Tax Reduction begins to reduce. The most vulnerable families receiving income-related ‘passport’ benefits would not be affected, and those receiving disability-related income, such as DLA or PIP, already have this disregarded.

**4.4** We estimate that, over the course of 2016/17, some 1,904 families – would potentially be affected by this change, a reduction of up to £3.49 per week. In respect of 2016/17, low-income households in work will already be better off than might otherwise have been the case due to the Government’s decision to scrap reductions in Working Tax Credit allowances. It is likely that differing assessment models and allowances for Housing Benefit and Council Tax Discretionary Reduction, as well as between pension- and working-age claims, would cause confusion and additional customer demand. Were this change not implemented, the cost of the Council Tax Reduction Scheme would increase by up to **£345,537.92** per year.

**4.5** Reduction of backdating allowances from six months to four weeks – this change to Housing Benefit regulations is in line with the allowances for Universal Credit backdating, ensuring fairness and consistency across the board. Confusion, challenges and appeals would be likely in circumstances where, for example, a joint HB/CTRS claimant’s backdated award was curtailed for HB but allowed for CTRS, due to conflicting regulations being applied. The additional cost to the authority for 2015/16, taking into account increases in claim volumes and Council Tax liability, is potentially a up to **£249,200** per year.

**4.6** For both of the above affected groups, the proposed changes are mitigated by the availability of **Council Tax Discretionary Relief**. Current spends indicate around £90,000 will remain from this year’s budget – we ask that this is transferred into the CTDR budget for 2016/17, as has been the case in previous years. This would also be the case in exceptional circumstances where an effective ‘backdate’ would be required for longer than the current period, or where a household with high expenses due to individual circumstances would otherwise experience a reduced or nil award for Council Tax Reduction despite the award of the family premium.

**4.7** Discretionary Housing Payments & Discretionary Council Tax Relief – it is suggested that the existing assessment model and prioritised assistance for those with financial and other recognised vulnerabilities is retained, although the policy will need to be responsive to demand and be consistently applied to avoid overspend. As previously observed, Housing Benefit claimants affected by the Benefit Cap – despite numbering less than 130 – currently account for 19% of the total DHP budget, often receiving indefinite awards. This position is unsustainable if a further 1,700 households

are capped in the coming financial year, and would result in additional cost to the authority upward of £2m. It is suggested that these households should therefore be assessed on declared income and expenditure in the same way as other claimants, taking into account vulnerabilities yet also properly reflecting the fact that these households have the highest net incomes of any dependent on state aid in the city.

**4.8** It is also suggested that due consideration be given to introducing new measures of award compliance. This was previously the case with the local scheme from 2013, with a compulsory requirement to seek alternative properties regardless of circumstance – this blanket approach has subsequently been found to be unlawful. Whilst it is a legal requirement to support long-term awards for claimants with good reason to remain in their current property – for example, due to disability or property adaptation – there are many circumstances in which a short-term award only is appropriate, and repeated claims over a period of time indicates an inability to budget properly, which will not be resolved through the provision of additional time-limited funds. Long-term awards should be the exception as opposed to the rule, and the introduction of budgeting advice has the potential to prompt customers to make beneficial changes with a long-term impact on their circumstances.

**4.9** It is therefore suggested that repeat claimants not affected by vulnerabilities outside their control should be required to attend budgeting advice, in line with Universal Credit requirements, on a trial basis. Other authorities have pursued similar approaches in order to ensure the most effective distribution of DHP and CTDR income.

**4.10** Community Support Grants – no policy changes are proposed at this stage, as the policy has already been recently amended to anticipate changes including Universal Credit claimants at risk of eviction. It is suggested simply that the existing budget of £350,000 be confirmed for the coming financial year, and the current programme of seeking efficiencies through recycled goods be continued, culminating in a review of the existing contracted Pass It On service in early 2016/17. Additional options to improve vulnerable customers' long-term prospects at optimal cost to the authority will be explored as part of the forthcoming procurement exercise.

## **5. Financial, legal and other implications**

### **5.1 Financial implications**

The financial implications of running a council tax reduction scheme are complex.

Prior to 2013/14, a national council tax benefit scheme operated. This was administered by local authorities, and the cost reimbursed by the DWP.

From 2013/14, the Government introduced a requirement for each council to create their own “council tax reduction scheme” (CTRS). The national scheme was abolished.

Unlike the previous scheme, under which the DWP effectively paid all or part of the council tax bills of claimants, CTRS is a discount applied to tax bills. This reduces our tax income. The impact of the reduction in our income was recognised in the 2013/14

finance settlement, and Government funding was made available. This, however, was far less generous than the amount available for the previous national scheme, requiring the local scheme to be less generous. Hence, many people were required to pay part of their council tax for the first time.

In 2016/17, it is estimated that council tax reduction discounts will cost the council £21.2m. It is not possible to identify the Government funding received to meet this cost as it is now simply part and parcel of our revenue support grant. However, if we assume the amount provided in 13/14 has simply reduced in line with government funding generally, we will be receiving £15.9m in 2016/17. This will fall to £13.2m in 2019/20.

In reality, however, council tax reduction schemes are now simply a cost to us. To the extent that we can reduce the cost of the scheme, we are reducing the estimated £55m funding gap for the budget as a whole.

A number of schemes exist to support vulnerable households who are not able to meet the cost of their council tax (even after CTRS); or who otherwise need help with their living costs. These are described below.

The first of these schemes is the council tax discretionary relief fund, which helps meet the costs of tax bills. This is budgeted at £315,000 per year, and is forecast to spend £280,000 in 2015/16. An overspend in 2016/17 is not expected. Small contributions to this cost are made by the police and fire authorities but otherwise the cost is met by the City Council.

The second scheme is discretionary housing payments, the cost of which is met by Government grant. The grant will increase from £680,000 in 15/16 to £818,000 in 2016/17, and we expect to manage within this allocation in both years. However, demand is expected to increase as welfare changes impact and more people become subject to the (less generous) rules of universal credit. The Council is entitled to top-up the funding for the scheme, but no budget exists to do so.

The third scheme is the community support grant programme. This programme, to meet emergency need, was originally provided by the DWP, but transferred to local authorities in 2013/14. Annual funding of £1.6m was received in each of 2013/14 and 2014/15, but discontinued in 2015/16. In preparation for its discontinuation, the Council saved monies from previous underspending on these programmes, together with underspending from similar service areas. The result was that support can be continued, but funds will clearly be exhausted in due course. A sum of £5m existed in April 2015, which is budgeted to be spent at £925,000 per year (and hence would be spent up by 2020). However, increasing numbers of applications are expected as welfare reforms are implemented, which (if spend is not contained) will result in an earlier end to the fund.

A number of proposals are included in this report, which will reduce the cost of the CTRS scheme from 2016/17. These essentially bring the rules of the scheme in line with housing benefit regulations. Removal of the family premium allowance will save an estimated £0.3m to £0.4m per annum, and reduction in backdating would save a further £0.2m to £0.3m per annum.

The report also proposes consultation on scheme changes to take effect from 2017/18.

Depending on the changes adopted, there will be further cost or savings. For instance, increasing the minimum payment level from 20% to 30% would save an estimated £1.7m per year, before considering the cost of any further non-payment or discretionary payments required to those placed in hardship by such a measure.

Mark Noble  
Finance  
374041

## **5.2 Legal implications**

The legal power to make or revise the Council Tax Reduction Scheme is dealt with in section 67 Local Government Finance Act 1992. The Executive have the power to “consider” whether the Scheme should be revised or replaced. The adjustments proposed above reflect changes to national legislation and it is not concluded that they constitute revisions that require re-approval of the Scheme by Full Council.

The Council has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination of people sharing protected characteristics which are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. There is also a duty to promote equality of opportunity and foster good relations between those sharing a relevant protected characteristic and those who do not do so.

Kamal Adatia  
City Barrister  
371401

## **5.3 Climate Change and Carbon Reduction implications**

The recommendations detailed in Appendix A relating to the Community Support Grants provide a number of environmental benefits. Increasing the re-distribution of furniture, white goods and household items through re-use schemes, and utilising volunteer led food banks in the city both support the waste hierarchy (reduce, reuse, recycle) and prevent waste being sent to landfill.

Louise Buckley  
Senior Environmental consultant  
37 2293

## **5.4 Equalities Implications**

The service continues to carry out Equality Impact Assessments at various stages of the council tax reduction scheme’s ongoing development. One has been done for these proposals which highlight the potential impacts on the protected characteristics of age, disability, pregnancy and maternity, race and sex. Mitigating actions in place to address impacts are set out in the EIA and further exemplified in Appendix A of the report. However, equalities considerations go beyond the impact of council proposals

for this area, and need to include broader cumulative impacts of Government welfare reforms which substantially influence household incomes of a significant portion of the city's households. The service reported in the summer on the anticipated impacts of upcoming welfare reforms to be implemented over time. These form the backstory for the two main groups requiring support and relief under the council tax reduction scheme: those in financial crisis and those who are vulnerable and have difficulty in managing their finances. The range of support on offer described in Appendix A provides a range of support that assists in mitigating negative impacts on household incomes of these two groups. An ongoing assessment of cumulative impacts and local sustainable mitigating actions alongside the profile of those who take up support offer will enable us to maintain an overview of the equalities implications of the council tax scheme.

Irene Kszyk, Corporate Equalities Lead, ext 374147.

### 5.5 Other Implications

N/A

## 6. Background information and other papers:

House of Commons Work & Pensions Committee – The Local Welfare Safety Net, January 2016 (<http://www.parliament.uk/documents/commons-committees/work-and-pensions/373.pdf>)

Impact on households: Distributional analysis to accompany Summer Budget 2015, July 2015 ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/443229/PU1822\\_Distributional\\_Analysis.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443229/PU1822_Distributional_Analysis.pdf))

## 7. Summary of appendices:

- Appendix A** - CTRS & Discretionary Spend recommendations summary table
- Appendix B** - Financial impact of grant reduction, CTR spend & equalities
- Appendix C** - Council Tax Reduction – options for future years

## 8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

## 9. Is this a “key decision”?

Yes

## 10. If a key decision please explain reason



Anticipated cost saving to the Council Tax Reduction scheme of adopting recommended changes in respect of the 2016/17 financial year up to £595,000.

Consultation in respect of the 2017/18 financial year to make savings as directed by Executive. Any substantial savings will result in significantly reduced awards for some households, and public interest is likely to be significant.