

# Executive Decision Report to Scrutiny

Scrutiny Commission:

Neighbourhood Services and Community Involvement

Date of scrutiny committee: 26<sup>th</sup> January 2015

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**Council Tax Reduction (local) Scheme a year on.  
Including – Equality Impact Assessment Review**

Lead director: Alison Greenhill

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## Useful information

- Ward(s) affected: All
- Report author: Caroline Jackson
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- Report version number: V.1

### 1. Summary

- 1 The Authority adopted a Local Council Tax Reduction Scheme (LCTR), which replaced Council Tax Benefit (CTB) from 1<sup>st</sup> April 2013. This scheme was introduced as part of the Government's wider Welfare Reform review and brought with it 10% reduced funding, a result of which council tax payers who had not paid the council tax in previous years, were now required to pay at least 20%.
- 2 This report summarises the impacts of the LCTR scheme after one year in operation, reviewing its Equality Impact Assessment evaluating the impact upon protected groups and the support in place to mitigate the impact and its effectiveness whilst balancing the council's obligation to collect the charge.

### 2. Recommendations

- The scrutiny commission is asked to note and comment upon the continuation of the Council Tax Reduction scheme until March 2016.
- The scrutiny commission is asked to note and comment upon the equality impacts and considering mitigating these impacts through the Council Tax Discretionary Relief policy (CTDR), which is funded to support protected groups and those facing financial difficulties.
- The scrutiny commission is asked to note and comment upon the continuation of the Council Tax Discretionary Relief policy until March 2016.
- The scrutiny commission is asked to note the precepting authorities have withdrawn funding support to the Council Tax Discretionary Relief from April 2014.
- The scrutiny commission is asked to note and comment upon the current Council Tax Reduction scheme and the Council Tax Discretionary Relief policy has not been revised but will be reviewed in readiness for April 2016.

### 3. Main report:

#### Background

- 3.1 In the Spending Review 2010 it was announced that the CTB Scheme would be abolished and councils were expected to set up localised support schemes but with a 10% cut in funding nationally compared to that available under the CTB scheme. After considering various scheme options and extensive modelling of the impact of those options, a localised scheme of support was proposed and

following consultation; it was implemented from 1<sup>st</sup> April 2013.

3.2 Whilst the Government decided to make savings in this area, it was clear in its commitment to protect certain groups from the impact of the savings, in particular pensioners. As a consequence, the cut in funding has principally been borne by the city's working age population.

3.3 The council's scheme contains the following elements which are designed as the primary means by which the savings under the scheme are delivered:

1. A maximum eligible award of 80% of the total council tax due
2. The maximum award is fixed at Band B
3. The amount of capital held by the claimant must not exceed £6000
4. Financial support is limited to awards above £3.60 per week
5. The Second Adult Rebate scheme has been discontinued

The result of the above is that every working age household must pay a minimum of 20% towards their council tax bill. The service's records shows that for 2013/14, this equates to £3.79 per week for a couple living in a band A property (£197.85 per year) and £4.43 for couple in a band B property (£230.83 per year) and 94% of households in this group live in properties that are in band A or B.

### **Mitigation**

3.4 In order to mitigate the impact of the reduced support on this group, some of whom had not paid any council tax for a number of years, a targeted "talk to us" publicity campaign ran during 2013. Anyone affected by this and the wider welfare reforms changes was encouraged to talk to the council.

3.5 Other actions taken to assist this client groups are:

1. Additional prompt to pay letters have been sent to this client group.
2. A "softer" recovery approach has been taken with additional reminders being issued before recovery action commences.
3. Where the debt is not paid, the council has sought to reduce the burden of debt for all households in the city through negotiating lower court costs.
4. The council has a Council Tax Discretionary Relief (CTDR) policy (further details under 3.7), which can assist those who are experiencing particular financial difficulty.

3.6 Council tax collection against this group is strong. The service has also been tracking the recovery profile of the 16,000+ 'new' charge payers. The collectable debt for this group is £3.5m and represents 3.59% of the total collectable council tax debt as at 1<sup>st</sup> April 2013. Additional prompts and non-statutory reminders have been included in the recovery process to encourage payment and engagement.

3.7 Council tax legislation contains a provision which allows councils to award financial assistance for households where there is exceptional hardship. This is under Section 13A of Local Government Finance Act 1992. The service has used this provision in its CTDR policy. The precepting authorities (Fire and

Police) have been asked to contribute to this fund. See table below.

<b>2013/14</b>	<b>Contribution (£)</b>
Leicester City	265,791
Leicestershire Police Authority	37,650
Leicestershire Fire Authority	11,559
<b>Total:</b>	<b>315,000</b>

A fund of £414,845 remains available for the 2014/15 financial year.

**How many council tax payers have received additional help and have been awarded Council Tax Discretionary Relief?**

<b>Year</b>	<b>Number of Council Tax payers supported</b>	<b>Total relief awarded</b>
2013/14	1,946	£263,267.71

A breakdown of the protected groups given this additional help is shown at **Appendix A**.

- 3.8 Although over 1,900 of the most vulnerable members of the community were given assistance via the CTDR fund, it is likely that others who are struggling to pay their council tax payers are also eligible to apply. The service is therefore proactively trying to identify these taxpayers through its records and offer assistance where it is required.
- 3.9 The billing and recovery process is outlined in **Appendix B** with process maps comparing the 'business as usual' recovery detail alongside the additional communication activity for the new payers, (also called welfare recovery payers). Analysis at the end of the first year (31<sup>st</sup> March 2014) shows the following:
1. 9,501 of 16,654 households previously receiving 100% Council Tax Benefit have paid in full.
  2. 2,542 are paying their charges by deductions from benefit
  3. 2,185 are paying by direct debit
  4. 3,847 engaged with the council and requested a different payment date (which could include payment by direct debit).
- 3.10 The service also operates a fair debt collection policy which aims to assist council tax payers facing financial difficulty payers (or any debtor owing monies to the council) make an affordable payment arrangement, balanced with the council's requirement to collect monies owed. At every stage of the recovery process council tax payers are encouraged to "talk to us" for advice, before the recovery action and any associated costs escalate.

The council's main customer service centre hosts a number of debt advice

providers including the Government backed Money Advice Service and the MoneyWise debt advice offer. Where it becomes apparent that a council tax payer requires help to negotiate other debts, officers in the service will make an appointment on behalf of the council taxpayer. Council taxpayers may also seek support from CAB Leicestershire through their website or offices located on Charles Street.

### **Options for change**

- 3.11 The council's LCTR scheme was implemented from 1<sup>st</sup> April 2013. A review of the impact of the scheme upon charge payers assesses whether the scheme has a neutral, positive or negative impact upon protected groups or the persons highlighted in the equality impact assessment who may have been most affected by the change.
- 3.12 Like other councils, Leicester retained the fundamental elements of the previous CTB scheme, with amendments to mitigate the shortfall in the Government's grant. Calculation of CTB and claims for CTR scheme use a similar means tested assessment process as that for Housing Benefit. Consequently while the Housing Benefit scheme remains with the Local Authority to administer there has been minimal increases in processing costs.

However, the Housing Benefit payment /assessment process is expected to change when the Government increases its Universal Credit roll out programme. The roll out in the city is expected sometime late 2016. At this point the service will undertake a separate assessment which will demand significantly lower processing costs. What this looks like has yet to be determined. We recommend the authority begins to explore the options to simplify the assessment process and explore scheme and delivery options for the future.

### **Outcomes of the Equality Impact Assessment**

- 3.13 The equality impact assessment has been able to reach some conclusions about the impact upon most of the claims caseload with protected characteristics. It has been possible to reach conclusions in relation to the protected characteristics of Age, Disability, Gender, and Race. There is an incidence of households with these protected characteristics within the claims population, because of the barriers to work which are faced. The service does not conclude that the remaining protected characteristics are unaffected by these changes, rather that there is insufficient data to reach conclusions.
- 3.14 The Government's policy to "Localise" decision making in local welfare relief on Council Tax was proposed at the same time as a cut in funding. As a direct consequence of the Government's decision to protect pensioners from the impact of change, the cost of the change is borne entirely by the working age part of the claim population.
- 3.15 As a result of the introduction of the LCTR scheme, the collectable debt during the 2013/14 financial year increased by over £10m. The awareness campaign run by the Council has succeeded in "educating" the majority of working age Council Tax payers previously receiving 100% Council Tax Benefit, in that the charge due within the financial year was paid. A large proportion also engaged

with the Council and opted to pay the charge by a preferred method of payment such as direct debit.

3.16 However although over 1,900 of the most vulnerable members of the community were given assistance via the CTDR fund last year, it is likely that others who are struggling to pay their Council Tax payers are also eligible to apply. Further work is therefore required by the Council to proactively identify and offer assistance where it is required. This work is in progress and will continue to be monitored.

3.17 The actual making or revising of the Council Tax Reduction Scheme is a matter for Full Council. Under section 67(2) (aa) of the Local Government Finance Act 1992 (as revised by the 2012 Act). However the Executive may consider whether to make or revise the scheme. Therefore we recommend the executive reviews the current Council Tax Reduction scheme and the Council Tax Discretionary Relief policy in 2015 and recommend to Full council any revisions.

3.18 The executive agreed the following actions on the 16<sup>th</sup> December 2014:

- The executive recommended continuing with the Council Tax Reduction scheme until March 2016.
- The executive noted the equality impacts and consider mitigating these impacts through the Council Tax Discretionary Relief policy (CTDR), which is funded to support protected groups and those facing financial difficulties.
- The executive recommended continuing the Council Tax Discretionary Relief policy until March 2016.
- The executive noted the precepting authorities have withdrawn funding support to the Council Tax Discretionary Relief from April 2014.
- The executive recommended not revising the current Council Tax Reduction scheme and the Council Tax Discretionary Relief policy but have recommended reviewing these policies in readiness for April 2016.

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

### **4.1 Financial implications**

Council tax benefit used to be reimbursed by the Government on the basis of the amount awarded, which the Council claimed each year. In effect, it operated as if the Government was paying council tax on behalf of claimants.

The new scheme does not do this. Instead, the Council grants discounts to those in receipt of local tax support, reducing the total amount of tax collectible. The Council is partially compensated for the loss of tax through Revenue Support Grant and partially through the amount of business rates we are permitted to retain. Total revenue support grant will fall from £109m in 2014/15 to £77m in 2015/16. The amount available for local tax support is not itemised within this total.

Mark Noble  
Head of Finance (Financial Strategy)

## 5.2 Legal implications

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 and Head of Standards

## 5.3 Climate Change and Carbon Reduction implications

There are no climate change implications associated with this report.

Louise Buckley, Graduate Project Officer (Climate Change), 372 293

## 5.4 Equalities Implications

The Public Sector Equality Duty is a continuing duty. The service has undertaken a separate comprehensive impact analysis of those affected by the council tax changes and those who have received Council Tax Discretionary Relief (CTDR) based upon their financial vulnerability. Their analysis confirms that those individuals who continue to face barriers to work experience the most difficulty in paying their portion of Council Tax. Appendix A presents a profile of those in receipt of CTDR, the greatest proportion being single, White and women. The service has been proactive in seeking to mitigate the negative impact of those facing difficulty in paying the Council Tax charge by providing a range of means available to support them in making payments based on their personal circumstances. It will continue to monitor the equality impacts of the Council Tax Scheme and those taking up the CTDR.

Irene Kszyk, Corporate Equalities Lead, ext. 374147

## 5.5 Other Implications

None

## **6. Background information and other papers:**

- Local Government Finance Act 1992:  
<http://www.legislation.gov.uk/ukpga/1992/14/contents>
- The Welfare Reform Act 2012; <http://www.DepartmentforWorkandPension.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-act-2012>
- The Localism Act 2011;  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/5959/1896534.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5959/1896534.pdf)
- The Equality Act 2010; <http://www.legislation.gov.uk/ukpga/2010/15/notes/contents>
- The Local Government Finance Bill;  
[http://www.local.gov.uk/web/guest/local-government-finance-bill/-/journal\\_content/56/10171/3752842/ARTICLE-TEMPLATE](http://www.local.gov.uk/web/guest/local-government-finance-bill/-/journal_content/56/10171/3752842/ARTICLE-TEMPLATE)
- and
- other legislation in relation to Vulnerable Groups including but not limited to the Child Poverty Act 2010;
- <http://www.legislation.gov.uk/ukpga/2010/9/notes/contents>
- and
- Social Security Act 1986.  
<http://www.legislation.gov.uk/ukpga/1986/50/contents>

## **7. Summary of appendices:**

1. Appendix A – breakdown of the protected groups given additional help from the CTDR fund.
2. Appendix B – Process maps showing the billing and recovery process comparing the ‘business as usual’ recovery detail alongside the additional communication activity for our welfare recovery accounts

## **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)?**

Yes

## **9. Is this a “key decision”?**

No

## **10. If a key decision please explain reason**