



Appendix C
The Council Tax
Reduction Scheme:
Options for future years



City Mayor

Useful information

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1. Summary

- 1.1 The Authority adopted a local Council Tax Reduction Scheme (CTRS), which replaced Council Tax Benefit (CTB) from 1 April 2013. This scheme was introduced as part of the Government's wider welfare reform review and brought with it over 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%. The scheme will have been funded through this model for three years by 31st March 2016.
- 1.2 This report summarises the scheme options of continuing supporting those charge payers struggling to pay their council tax whilst also considering the funding models of a revised scheme in light of recent welfare reform changes.
- 1.3 The Authority operates an additional discretionary fund called Council Tax Discretionary Relief (CTDR). The fund is targeted to support the most vulnerable citizens in the city pay their council tax. This policy operates to mitigate the impact of the reforms, whilst balancing the council's obligation to collect the charge.

2. Recommendations

- 2.1 The Executive is asked that after considering the current scheme, they are minded to propose no substantive alterations or revisions to the existing Scheme, save for those following equivalent changes to national Housing Benefit legislation; until March 2017.
- 2.2 The Executive is asked to give consideration to revising existing financial parameters, or consulting on a revised CTRS for 2017/18 onwards.

3. Main Report

Background

- 3.1 From April 2013 the government abolished Council Tax Benefit and replaced this with legislation for a local Council Tax Reduction Scheme. This legislation required Councils to design a CTRS in accordance with local requirements. The Government cut overall funding by 10%, but Leicester's reduction was significantly higher. Our total budget for council tax support was initially £27.4m. The scheme operates in two ways. The Department of Communities and Local Government default scheme which protects pensioners and the council's local scheme for working age claimants.

- 3.2** The scheme adopted by full council in January 2013 requires the working age claimant to meet a number of scheme conditions in order to qualify and requires them to pay a percentage of Council Tax charge for the property they occupy.
- 3.3** The scheme's greatest impact was felt by the cohort of 16,000 council tax benefit recipients who in 2012/13 received 100% of their council tax charge covered by a council tax benefit award. In effect they had nothing to pay towards their council tax but in 2013/14 have a council tax bill to pay of at least 20% or upwards (minimum £196). Details of how the council supports charge payers who struggle to pay are detailed in appendix A.
- 3.4** The council was mindful of the impact this scheme would have on a number of vulnerable households and has funded the Council Tax Discretionary Relief (CTDR) policy with contributions from the precepting authorities, Leicestershire Fire and Police in 13/14. The fund total was £349,853K for 2013/14, £414,845 for 2014/15 and £315,000 for 2015/16. It should be noted the precepting authorities have withdrawn funding support to the Council Tax Discretionary Relief from April 2014.
- 3.5** It is good practice to review council policies on a regular basis. There are a number of reasons why we should do this. This is to meet scheme requirements, ensuring the scheme is fit for purpose and achieving the objectives of the scheme in meeting the needs of the financially vulnerable in the city at the same time ensuring the scheme is affordable to the citizens of the city both administratively and overall scheme funding.
- 3.6** It is proposed that, to ensure consistency of Housing Benefit and CTRS assessment and minimise confusion for customers, that a provision be added to keep the Scheme in line with changes being made nationally to Housing Benefit regulations. In 2016/17, these changes are anticipated to be as follows:
- i. Backdating of claims limited from six months to four weeks;
 - ii. Applicable amounts frozen from April 2016 onwards;
 - iii. Family Premium allowances for new claims removed from April 2016.
- 3.7** In terms of changes to assessed income in 2016/17, our modelling suggests that reductions in Working Tax Credit allowances for new claimants will largely be offset by the increased earnings of a larger number of existing claimants through the National Living Wage. Any impact on the total level of CTRS awarded is therefore anticipated to be negligible and mitigated by the continuing reduction in overall caseload. The majority of national legislative changes announced in the Summer Budget will not take effect until 2017/18, in anticipation of which a full review of CTRS and consultation exercise on future options will be conducted.
- 3.8** 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 create a new scheme, or revise the existing scheme. Therefore we recommend the executive reviews the current Council Tax Reduction scheme and recommend to full council any revisions.

- 3.9** Like other councils, Leicester retained the fundamental elements of the previous Council Tax Benefit (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.
- 3.10** Savings will come from automation of a scheme in the longer term. We do not anticipate administrative savings in the immediate term. We estimate option three will bring the greater savings long term. The assessment will be quicker with a tick box method and removal of the lengthy validation of income.
- 3.11** However, the Housing Benefit (HB) payment & assessment process is expected to change when the Universal Credit (UC) roll out programme commences in the City from January 2016. It is anticipated the HB caseload will migrate over to UC during 17/18 at this point the service will undertake a separate CTRS assessment which will demand significantly lower processing costs. What this looks like has yet to be determined however we do know our local taxation administration system is developing a banded scheme.
- 3.12** The Executive are asked to consider the options below for 17/18 onwards. With both options the scheme for pensioners is retained and the LCTR scheme applies to working age claimants only. An outline of the scheme options are detailed in appendix C1.
- a) Continue with the existing scheme structure. This allows you to achieve savings through adjusting the scheme parameters. Such as reducing the maximum award (from 80% to 70%) and/or reducing the Applicable Amounts. This adjustment to the scheme parameters does not require consultation.
 - b) Introduce a new scheme with a building block assessment. This will require consultation on the impact on changes to the scheme.
- 3.13** The equality impact assessments conducted on the current scheme will be used to inform the scheme development and map the impact upon the claims caseload with protected characteristics. It will be possible to reach limited conclusions in relation to the protected characteristics of Age, Disability, Gender, and Race. It has been identified there are incidence of households with these protected characteristics within the claims population where the scheme must map the impact these are: lone parents in particular female households, single households, those seeking work, those who have recently retained work, those with limited skills and capacity to work. In order to retain this level of protection the consultation on a new scheme should compare the current scheme with an alternative option to allow the charge payer to understand the implications of a different scheme upon citizens in the city.
- 3.14** Through the consultation the council would wish to explore a scheme which could offer the following characteristics:

- Straightforward to administer
- Scalable and resource sustainable
- Parameters (such as income/disregards) are configurable
- Award parameters are configurable
- Has the capability to target of assistance to those in greatest need
- Simple and straight forward to explain to claimants
- Supports the intention of the discretionary scheme to assist households experiencing exceptional financial difficulty.

We would approach scheme development through consultation. This would be a 12 week process engaging with key stakeholders and partner organisations as well as charge payers in the city. We will bring to the Executive the consultation plan and supporting documents. In these documents we will explain the schemes differences, comparing the impact of the changes through household examples.

4. Financial, legal and other implications

4.1 Financial implications

See Executive report.

4.2 Legal implications

The legal power to make or revise the Scheme is dealt with at paragraph 3.6 above.

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

4.3 Climate Change and Carbon Reduction implications

There are no climate change implications associated with this report.

Louise Buckley
Graduate Project Officer (Climate Change)
ext. 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 C1 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
- 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
- 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 the Social Security Act 1986.
<http://www.legislation.gov.uk/ukpga/1986/50/contents>

7. Summary of appendices:

Appendix C1 – Charge payers struggling to pay. What mitigation does the council offer to support this group?

Appendix C2 - An explanation of the scheme details.

Appendix C1 –

Charge payers struggling to pay. What mitigation does the council offer to support this group?

As a result of the introduction of the LCTR scheme, the collectable debt during the 2013/14 financial year increased by over £10m and the increase was £4.8m in 2014/15 however this was an increase in the charge and was not as a result of the scheme. 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.

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.

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 and access the Council tax discretionary relief fund.

We offer charge payer the opportunity to pay over 12 months. We refer charge payers to the council’s fair debt policy when we negotiate payment arrangements.

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.

Although 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.

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

Year	Number of Council Tax payers supported	Total relief awarded
2013/14	1,946	£263,267.71
2014/15	TBC	£230,104.52

Analysis at the end of the second year (31st March 2015) shows the charge payers payment methods as follows:

- a) 9,501 of 16,654 households previously receiving 100% Council Tax Benefit have paid in full.
- b) 2,542 are paying their charges by deductions from benefit
- c) 2,185 are paying by direct debit
- d) 3,847 engaged with the council and requested a different payment date (which could include payment by direct debit).

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 advice and debt advice providers including Citizens Advice who run surgeries on site twice a week, the Government backed Money Advice Service and the MoneyWise debt advice offer. Joining the centre is CALS. 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.

Appendix C2 – An explanation of the scheme options details

A) Continue with the existing scheme. This allows you to achieve savings through adjusting the scheme parameters. Such as reducing the maximum award and/or reducing the Applicable Amounts.

The current scheme has the following characteristics;
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. Financial support is limited to awards above £3.60 per week
2. The Second Adult Rebate scheme has been discontinued for working age claimants

Outline of the assessment principles:

- Means tested discount award is calculated based on the claimant's net household income.
- For every £1.00 per week over the needs allowance the Council Tax support reduces by 20p per week (known as a Taper).
- There is a property band limiter (maximum band award value) 2015/16 this is band B
- There is a maximum award value. 2015/16 scheme is 80% of the charge for the Council Tax band
- Financial support is limited to awards above £3.60 per week 2015/16
- There are allowances for the Council Tax payer(s), their partner(s) and their children, in the same way as for housing benefit.
- There are no allowances are made for other adults living in the household.
- There are additional allowances for those who have disabilities, carers, and household which require childcare
- There are disregards for working households
- Local discretionary income disregards include war widows pension
- The amount of capital (savings, shares and property) held by the claimant must not exceed £6000

B) Introduce a new scheme with a building block assessment.

This option is supported by the council's local taxation administrative system.

The characteristics of this scheme are similar but not the same as option A.

- Means tested discount award based on gross household income
- There is no taper applied to the award value. There are stepped reductions.
- There is an option to retain a property band limiter.
- There is an option to retain a maximum award value.
- Allowances are made for the Council Tax payer(s), their partner(s) and their children.
- There is an option to offer allowances are awarded for those who have disabilities, carers, working households, those who require childcare.
- There is an option to retain the limit on Capital (savings, shares and property), the maximum Council Tax reduction applied against the charge for the Council Tax band and a minimum weekly award.