

WARDS AFFECTED: ALL WARDS

FULL COUNCIL

25th January 2018

COUNCIL TAX REDUCTION SCHEME

REPORT OF THE DIRECTOR OF FINANCE

1. Purpose of Report

- 1.1 The purpose of this report is to ask the Council to adopt a council tax reduction scheme (CTRS) from April 2018 onwards, to consider delegated responsibility for introducing minor or inconsequential changes where a consultation is not required to the Director of Finance in consultation with the Assistant City Mayor for Neighbourhood Services, and to adopt an additional local exemption in respect of those leaving care up to the age of 25.

2. Summary

- 2.1 The CTRS is a scheme of discounts for council taxpayers on low incomes. The cost of these (budgeted to be £21m in 2017/18) is met from the Council's General Fund budget. Around 35,000 taxpayers receive such a discount.
- 2.2 The scheme adopted last year was expressed as being for one year only, and this report recommends it is extended with minimal change.
- 2.3 The council must approve a council tax reduction scheme by 31st January 2018 for implementation in 2018/19.

3 Recommendations

- 3.1 The Council is asked to adopt a scheme to take effect from 1 April 2018 until further notice.
- 3.2 The Council is asked to delegate responsibility for reviewing the operation of the scheme to the Director of Finance in consultation with the Assistant City Mayor for Neighbourhood Services, and for approving all changes considered minor and inconsequential.
- 3.3 The Council is asked to approve the enclosed Council Tax Discretionary Discount for Care Leavers Policy.

4 Background

- 4.1 The Welfare Reform Act 2012 imposed a duty on billing authorities to design and introduce CTRS schemes for working age households.
- 4.2 At the same time as local authorities were placed under a duty to design schemes, the Government cut the available funding.
- 4.3 The legislation requires the Council to adequately protect vulnerable groups. The Council has a discretionary relief fund of £500,000 per annum, operating in tandem with the Discretionary Housing Payment scheme.
- 4.4 Following public consultation, the Council chose to adopt a scheme in 2013/14 with the following features:
- A maximum award of 80% of the full tax, meaning that all working-age tax payers need to pay a minimum of 20% of their bill;
 - No second adult rebate for working-age customers;
 - Capped awards for claimants with properties in tax band C or above, at the amounts which would be awarded if the property had been in band B;
 - A de minimis award, with no CTRS being awarded if entitlement is below this level (currently £3.70 per week);
 - No awards to those with capital (savings) in excess of £6,000.
- 4.5 This scheme was considerably less generous than the previous national scheme, under which claimants could receive 100% of the full tax in benefit.
- 4.6 Those of pension age were protected from the changes by law, retaining the same assessment and 100% maximum award as before. In 2016/17, 38% of our caseload was pension age.

5. Change in respect of Care Leavers

- 5.1 In response to the Government's Care Leavers' Strategy and campaign undertaken by the Children's Commissioner, it is recommended that a new local exemption for care leavers liable for council tax under the age of 25 be adopted. This will ensure our statutory obligations under the Children and Social Work Act to make a clear offer to care leavers are met, and relieve hardship experienced by this vulnerable group.
- 5.2 Almost 200 looked after children leave the care system in Leicester each year; on average only 60 under the age of 25 are liable for council tax in independent accommodation at any one time. It is anticipated that the maximum cost of adopting this exemption on this basis would be £68,000 per annum.

6. Equality implications

- 6.1 An Equality Impact Assessment (EIA) has been completed and can be found at Appendix 2. This assesses the impact in conjunction with other changes affecting household finances. In summary, the main impact will fall on those who are (and will continue to be) most reliant on state welfare support. These

households will see their finances squeezed through a combination of the increase in council tax payable, anticipated inflation for basic household items (particularly food), and the continuing impact of the Government's welfare reforms.

- 6.2 There are two main factors for consideration when considering equalities: the deprivation experienced in the city (Leicester is ranked 21st in England in terms of indices of multiple deprivation); and diversity in terms of protected characteristics – age, disability, sex, race, religion or belief, pregnancy or maternity, sexual orientation, and gender reassignment (as well as responsibilities of carers which need to be taken into consideration).
- 6.3 Of the city's 134,000 households, 35,000 receive CTRS support on the basis of their assessed need. Around one third of these are pensioner households who are eligible for 100% support; and two thirds are of working age, who must contribute at least 20% of their council tax bill.
- 6.4 These working age households will be either in low paid work or out of work, and will also be reliant upon social security benefits which in turn are subject to various welfare reforms introduced by the Government resulting in reduced household discretionary income over time.
- 6.5 Sheffield Hallam University in their March 2016 study on welfare reform has estimated that these reforms will, by 2020-21, result in an average compound loss of £490 per annum for each working age adult in Leicester. Their study indicates that different types of households will experience disproportionate impacts: those worst affected are likely to be couples with 2 or more children (with a total loss of £1,450 per annum by 2020-21), couples with 1 child (with a loss of £900 per annum), lone parents with children (with a loss of between £1,750-£1,400 per annum), and single persons of working age (£250 per annum). Therefore, over the next 4 years, there will be increased pressure on low income household incomes in the city as a result of the Government's welfare reforms. Disabled people reliant on benefits have had their incomes substantially reduced as a result of welfare reforms already introduced, and will continue to be affected by the next tranche of reforms.
- 6.6 While the economic climate has been relatively stable with virtually no inflation over the past year, the EU referendum decision in June has created some economic uncertainty in the country. Inflation has risen to 1.0% (CPI September 2016) following the fall in value of the pound, and is anticipated to increase to around 3% over the next year, adding further pressures to household incomes and their ability to purchase essential household utilities and items such as food.
- 6.7 As social security benefits get further squeezed and households with low incomes become more vulnerable to short-term financial crises, the importance of the local welfare safety net provided by local authorities in the form of discretionary support payments becomes more critical as the Government has in effect devolved this function to them.
- 6.8 The January 2016 House of Commons Works and Pensions Committee report on 'The local welfare safety net' is critical of the Government's approach and calls for a more robust and co-ordinated approach to sufficiently

protect services, including crisis welfare in deprived areas, that can cope with future economic downturns. Therefore, locally it is important to consider the value of the council's available discretionary funds (Discretionary Housing Payments, Council Tax Discretionary Relief and the Community Support Grant) as a key mitigating action to help households experiencing financial crises (used together holistically as a safety net with a supportive advice, personal budgeting support and signposting provision for claimants).

- 6.9 Our Public Sector Equality Duty requires us to consider the impact of our proposals and their effect on different protected characteristics.
- 6.10 In regard to those who receive CTRS support, pensioners (protected characteristic of age) eligible for support are not required to make the minimum contribution of 20% as set out by Government guidelines. Therefore working age claimants are disproportionately affected by any changes.
- 6.11 There is a disproportionate take up of CTRS by white people (60%) compared to the city's population (51%), indicating that race is another equalities consideration.
- 6.12 Disabled residents have their disability benefits disregarded as a source of income when calculating DHP and CTDR support, which therefore lowers their actual income threshold and potential requirement for contribution.
- 6.13 Single person households are disproportionately represented in their take up of CTR. Moving into work/increasing their working hours would mitigate the increased demand on their incomes with the introduction of Option 2 or 3.
- 6.14 Low income families and lone parents are less able to make up any household income shortfalls arising from the introduction of Options 2 or 3 because of the increased costs they have to bear for raising children and the decreased flexibility they have, particularly mothers, in moving into work/increasing their working hours, and would be disadvantaged by reductions in their household incomes by the introduction of these two options.
- 6.15 As mentioned above, discretionary funding (DHP, CTDR and CSG) mitigates some economic hardship experienced by residents – which is the only welfare safety net available to them. Disabled residents; carers and lone parents; those affected by the bedroom tax, local housing allowance levels, and benefit cap, have all been supported through the discretionary funding which is available to the council.

7. Financial Implications

The estimated cost of the council tax reduction scheme, in terms of lost council tax income, is £21m in 2017/18. The police and fire authorities also receive less income. The current scheme requires all working age taxpayers to pay at least 20% of their charge. This offsets the overall loss of council tax income (i.e. it would otherwise cost more than £21m).

The proposed change in respect of care leavers is estimated to cost an additional £68,000.

Mark Noble, Head of Finance

8. Legal Implications (Kamal Adatia)

- 8.1 The actual making or revising of the Council Tax Reduction Scheme is a matter for Full Council, in accordance with the Local Government Finance Act 1992 (as revised by the 2012 Act). The Scheme in Leicester needs to be re-made before 31 January 2018.
- 8.2 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, or 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. This is commonly referred to as the “Public Sector Equality Duty” (PSED). Members must therefore bear in mind this duty to have “due regard” when deciding upon which option to pursue, and will be guided by the attached Equality Impact Assessment in this task. It is important to bear in mind that compliance with the PSED does not of itself entail an obligation to avoid or eliminate any negative impacts of any of the proposals. Negative impacts may (or may not) be inevitable, if, for example, the proposals to decrease the maximum award are endorsed. Some consideration of available mitigating measures would assist in demonstrating both a “regard” for the relevant impacts, and a conscientious grappling with the impacts that a less generous scheme entails.
- 8.3 If the scheme is adopted with an express promise to reconsider the scheme for 2018/19 then this will create a binding duty to re-consult and re-make a Scheme by 31 January 2018.

9. Other Implications

- 9.1 None

10. Appendices

Appendix 1 – Council Tax Discretionary Discount (Care Leavers) Policy

Appendix 2 – Equality Impact Assessment

11. Report Author: Alison Greenhill