

7 September 2016

Council Tax Reduction Scheme 2017/18

Portfolio: Councillor D Coughlan – Social Care

Service: Money Home Job

Wards: All

Key decision: No

Forward plan: Yes

1. Summary

- 1.1 In April 2013 council tax benefit was replaced by the council tax reduction scheme (CTRS) a new discount determined and administered locally. This scheme allowed a locally determined scheme for working age claimants but legislatively retained 100% protection for pensioners.
- 1.2 For the years 2013/14 and 2014/15 the authority retained a scheme for working age claimant which allowed for a 100% maximum award of discount. For the year 2015/16 the scheme was amended to reduce working age claimants' discount by 25%. The same scheme is in place for 2016/17.
- 1.3 The funding from Government for the discount is now part of the government financial settlement and is no longer separately identifiable.
- 1.4 This report recommends consultation on possible new council tax reduction discount schemes for introduction from April 2017.

2. Recommendations

- 2.1 That Cabinet approve a public consultation exercise on the options summarised in Table 1 below to establish a new Council Tax Reduction Scheme (CTRS) for introduction from April 2017.
- 2.2 That Cabinet receive a further report following the above consultation.

3. Report Detail

National Independent Review of the Council Tax Reduction Scheme

- 3.1 The Local Government Finance Act 2012 placed a requirement on the Government to conduct a review of all local council tax support schemes within three years of the Act taking effect (i.e. by October 2015).
- 3.2 The review, "Three Years On: An Independent Review of Local Council Tax Support Schemes" by Eric Ollerenshaw OBE dated March 2016 was published on 8 April 2016 and made 17 recommendations, 14 to Government and three to

councils (contained in Appendix 1). Walsall Council is already undertaking its work in line with the recommendations to councils. The recommendations to Government included that Government should remove the January 31 deadline for schemes to be agreed on as they are out of 'sync' with financial cycles.

- 3.3 The review found that on average collection rates of council tax declined with the introduction of local council tax support, although they are slowly improving. However, where there is a minimum payment required by the council, the staff time and administrative costs sometimes required seemed disproportionate to the amount being chased. Other inefficiencies included the legislative requirement to review schemes each year being onerous, rigid and costly.

National Comparisons on Council Tax Support Schemes

- 3.4 The New Policy Institute (NPI) have been undertaking a review and analysis of the various annual Council Tax Support (CTS) schemes provided in England. Their latest report, for 2016/17 financial year, was published on 5 April 2016. NPI publish their data online at <http://counciltaxsupport.org/schemes/> and a review of their data indicates the following:

- 3.5 Minimum Payment: Walsall currently 25%
259 (of 326, 79%) of English local authorities were requiring everyone of working age to pay at least some council tax regardless of income. The largest reported minimum payment is Kettering, within Northamptonshire at 45% followed by Medway Unitary Authority at 35%. There are nine councils with 30% and a further four at over 25% with 37 at the same level as Walsall.

- 3.6 Savings / Capital limit: Walsall currently £16,000
At present anyone of working age who has capital of over £16,000 does not qualify for council tax reduction. In calculating a claimant's income a notional income is calculated for capital between £6,000 and £16,000. A total of 63 (19%) of English local authorities have set a capital limit of £6,000 with a further 23 (7%) at over £6,000 and under £16,000.

- 3.7 Second Adult Rebate reduced or abolished:
Second adult rebate is a form of discount where a single person has someone else (not a partner) living with them who is on a low income and are not paying rent for their accommodation. Walsall has currently not reduced or abolished this rebate. A total of 199 (61%) of English local authorities have already reduced or abolished the second adult rebate.

- 3.8 Support restricted to a particular council tax band:
In Walsall currently there is no restriction on the band of the property a person lives in to claim council tax reduction. A total of 86 (26%) of English local authorities have already restricted support to a particular band as shown below.

Support restricted to Council Tax Band	Number of Councils restricting	Percentage of those who restrict
A	4	5%
A/B	1	1%
B	5	6%
C	9	10%
D	59	69%
E	8	9%

The council tax band breakdown of working age council tax claimants in Walsall is shown below

Council Tax Band	Number	% of Total
A	13,992	75.1%
B	3,388	18.2%
C	875	4.7%
D	249	1.3%
E	88	0.5%
F	36	0.2%
G	8	0.0%
H	0	0.0%

Walsall Council Tax and the Current Council Tax Reduction Scheme (CTRS)

- 3.9 Walsall Council Tax claimants total
- Working age 18,636 (58%)
 - Pensioners 13,572 (42%)
- Total 32,208
- 3.10 If the current CTRS scheme was kept for 2017/18 it is anticipated that the total amount of reduction awarded would be £24,241,000 split between £11,963,000 for working age and £12,278,000 for pensioners.
- 3.11 The current working-age scheme calculates an amount of reduction under the old council tax benefit rules and then reduces the award by 25%. This means the maximum reduction a working age claimant can receive is 75%.
- 3.12 If Walsall Council wishes to redesign its CTRS for 2017/18 it must consult on the proposed scheme with all interested parties including its 'precepting authorities'. Taking into account the results of the consultation a meeting of the council will need to adapt the new scheme by the 31 January 2017 for them to be legally applied in 2017/18.
- 3.13 In addition to the possible changes to the CTRS claimants are in some cases potentially affected by the wider welfare reform changes announced by the Government. Some of these changes include:
- removing the Housing Benefit Family Premium,
 - reduction in tax credits income rise disregard,
 - lower benefit cap from autumn 2016 and
 - reduced or removed Universal Credit Work Allowances.
- Some residents may be affected by one or more of the reforms and so these could have a cumulative effect on households.

Consultation on Options

3.14 There are a range of options councils can consider as mentioned in 3.4 to 3.9 above some of which can be applied independently or in combinations and to varying degrees. The options being proposed to consult on are those that are considered to be:

- clear for the customer to understand,
- reasonable to implement including collection rate and
- appropriate to local circumstances including the Councils overall financial position.

It is considered to consult on a limited but appropriate number of options and these are in summary shown in Table 1 below:

Table 1 Options proposed for consultation

Option	Details	Increase in council tax for Walsall Council*
1	No change i.e. keep the current scheme – 25% reduction in award	£0.00
2	Keep 25% reduction in award along with some technical changes in the calculation (see below)	£368,475
3	Increase the reduction in award to 30%	£420,000
4	Increase the reduction in award to 35%	£797,500
5	Increase the reduction in award to 40%	£1,132,000

*Less bad debt provision and increased costs

Option 1- Current Scheme

3.15 With this option the working-age council tax reduction scheme would remain the same. Those claimants who received a 100% reduction prior to 1 April 2015 would continue with a 25% charge. It is estimated that the total amount of reduction awarded would be £24,241,000 split between £11,963,000 for working age and £12,278,000 for pensioners.

3.16 With this option the authority would not generate extra savings / council tax income over and above any potential increase in income from a general downward trend in the overall amount of council tax reduction being awarded. Any income increase from such a downward trend would be present in any option taken forward.

Option 2 - Retain 25% reduction but change the calculation

3.17 In addition to a generic reduction in the amount of discount awarded there is the possibility of making a number of 'technical changes' in the way the discount is calculated. Possibilities are:

3.18 *Remove child benefit income disregard (affects 6,330 claimants)*

Currently any income received by a claimant in the form of child benefit is disregarded. This means that when calculating the total income of the claimant we do not count /include the monies received in child benefit. A proposed change to the scheme would be to not disregard the child benefit received for a second child and subsequent children.

3.19 *Remove Second Adult Rebate (affects 182 customers)*

It is proposed under Option 2 that second adult rebate is removed totally.

3.20 *Reduce capital limit to £6,000 (affects 166 customers)*

The reduction of the capital limit, for receiving council tax reduction, from £16,000 to £6,000 is proposed.

3.21 *Limit reduction award to Band C council tax levels*

It proposed to limit the award of council tax reduction to Band C level. This proposal would not affect 98% of claimants who are in a Band A, B or C property. Claimants in Band D to H properties would still be able to apply and receive council tax reduction. However the level of any reduction would be limited to if they lived in a Band C property.

3.22 The financial effect of Option 2 changes is shown below.

Change	Total Reduction in CTRS	Average effect per claimant
Remove income disregard of child benefit for 2+ child	£324,100	£51.20
Remove second adult rebate	£46,300	£254.40
Reduce capital limit to £6k	£93,100	£560.84
Limit award of discount to Band C levels	£48,700	£127.82
Total	£512,200	
Net Income i.e. after deducting collection costs, bad debt provision and Police and Fire proportion:	£368,475	

Option 3 - Increase Reduction in award to 30%

3.23 A more drastic option would be to further increase the reduction in discount to 30%. This would mean that maximum council tax reduction a working-age claimant could receive is 30%, leaving them to pay the remaining 70%.

3.24 This option would reduce the amount of council tax reduction awarded by the council by £794,000 with net income being estimated at £420,000.

3.25 The weekly effect of introducing Option 3 is set out in the table below:

Estimated Extra Council Tax Payable Per Week		
Band	Extra weekly payment as a result of Option 3	Overall minimum weekly payment
A	£1.07	£6.40
B	£1.24	£7.46
C	£1.42	£8.53
D	£1.60	£9.60
E	£1.95	£11.73
F	£2.31	£13.86
G	£2.67	£15.99
H	£3.20	£19.19
The figures above do not include the 25% single person discount given where there is only one adult in a household (if applicable that will reduce the amount further).		

Option 4 - Increase Reduction in award to 35%

- 3.26 A further option would be to further increase the reduction in discount to 35%. This would mean that maximum council tax reduction a working-age claimant could receive is 65%, leaving them to pay the remaining 35%.
- 3.27 This option would reduce the amount of council tax reduction awarded by the council by £1,590,000 with net income being estimated at £797,500.
- 3.28 The weekly effect of introducing Option 4 is set out in the table below:

Estimated Extra Council Tax Payable Per Week		
Band	Extra weekly payment as a result of Option 4	Overall minimum weekly payment
A	£2.13	£7.46
B	£2.49	£8.71
C	£2.84	£9.95
D	£3.20	£11.20
E	£3.91	£13.68
F	£4.62	£16.17
G	£5.33	£18.66
H	£6.40	£22.39
The figures above do not include the 25% single person discount given where there is only one adult in a household (if applicable that will reduce the amount further).		

Option 5 - Increase Reduction in award to 40%

- 3.29 A further option would be to further increase the reduction in discount to 40%. This would mean that maximum council tax reduction a working-age claimant could receive is 60%, leaving them to pay the remaining 40%.
- 3.30 This option would reduce the amount of council tax reduction awarded by the council by £2,380,000 with net income being estimated at £1,132,000.
- 3.31 The weekly effect of introducing Option 5 is set out in the table below:

Estimated Extra Council Tax Payable Per Week		
Band	Extra weekly payment as a result of Option 5	Overall minimum weekly payment
A	£3.20	£8.53
B	£3.73	£9.95
C	£4.26	£11.37
D	£4.80	£12.79
E	£5.86	£15.64
F	£6.93	£18.48
G	£8.00	£21.32
H	£9.60	£25.59
The figures above do not include the 25% single person discount given where there is only one adult in a household (if applicable that will reduce the amount further).		

Protection for Single Under 35 Claimants

- 3.32 With the other welfare reforms affecting single claimants under 35 more severely than other groups, there is always the option to protect this group from any further amendments to the council tax reduction scheme.
- 3.33 The table below sets out the costs and net extra income for Option 3 to 5 above if single claimants under the age of 35 remained at the current level reduction in council tax reduction i.e. 25%

Option	Extra income with no protection for under 35 single claimants	Extra income with protection for under 35 single claimants	Cost of protection
3 – 30% reduction	£420,000	£338,000	£82,000
4 – 35% reduction	£797,500	£655,000	£142,500
5 – 40% reduction	£1,132,000	£945,000	£187,000

Summary

- 3.34 The overall budgeted council tax collection rate is currently around 98%. The budgeted collection for the extra income resulting from the current reduction in award of council tax reduction is 80%. It is envisaged that it will be difficult to collect money from some households affected by the effects of Option 2 to Option 5 and that these are likely to be at increasing rates. As a consequence, financial provision for bad debt and costs associated with postage, staffing, telephone, banking and court costs have been increased, especially for Options 3 to Option 5.
- 3.35 The table on the next page summarises the options and expected total increased council tax billed and level of increase council tax collected (less bad debt provision and increase collection costs).

4. Council Priorities

- 4.1 Increasing the funds received by the council from council tax has a direct positive impact on the council's abilities to deliver to its priorities:
1. Lifelong health, wealth and happiness
 2. Safe, resilient and prospering communities
 3. Sustainable change and improvement for all

However it is noted that the effect of Options 3 to 5 could result in a disproportionate negative effect on the council's customers including the most vulnerable.

5. Risk management

- 5.1 If the council does not reduce the amount of support provided via the council tax reduction scheme, the extra money will have to be found by changing, reducing or ceasing other services. Cutting other services disproportionately could pose a financial and reputational risk to the council.

Summary of Options	Option 1	Option 2*	Option 3	Option 4	Option 5
Maximum benefit for working age	75%	75%*	30%	35%	40%
Total Increased Council Tax Billed (including police and fire precept)	Nil	£512,200	£794,000	£1,590,000	£2,380,000
Extra Bad Debt Provision	NA	£103,000	£293,000	£634,000	£1,023,000
Extra Costs to Council associated with additional work on collection / recovery	NA	Nil	£30,000	£60,000	£90,000
Estimated Net Increase in council tax for Walsall Council This includes deduction for additional bad debt provision and increased costs of recovery	Nil	£368,475	£420,000	£797,500	£1,132,000
Estimated Net Increase if Single Under 35's were protected	Nil	N/A	£290,000	£655,000	£945,000

* Like Option 1 but with technical changes in the calculation

6. Financial implications

- 6.1 If the council tax reduction scheme was amended in line with Option 2 to Option 5 then it is estimated that the council could raise extra income in the region of £368,000 and £1,132,000 respectively. This will help the council potentially reduce cuts to other services.

7. Legal implications

- 7.1 The legislation relating to council tax reduction schemes includes:
- Section 13A of the Local Government Finance Act 2012 - introduced the council tax reduction scheme.
 - The Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012 (Statutory Instrument 2012 / 2885) contains the mandatory elements for any local scheme and details the scheme that must be adopted for pensioners.
- 7.2 The council must make any revision to its discount scheme no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.

8. Procurement reporting

- 8.1 There are no procurement implications.

9. Property implications

- 9.1 There are no property implications.

10. Health and wellbeing implications

- 10.1 There are complex interconnections between living conditions, lifestyles, and health problems; high unemployment, low pay, and reductions in public support make it more likely that there will be an adverse effect on health and wellbeing for the residents of Walsall. Implications will vary depending on the size of the reductions in support.

11. Staffing implications

- 11.1 None.

12. Equality implications

- 12.1 The Government has stated that local schemes should provide support for the most vulnerable; however they have not prescribed the protection that local authorities should provide for vulnerable groups other than pensioners.
- 12.2 In designing local schemes authorities are reminded of their responsibilities in relation to vulnerable groups and individuals and the Department for Communities and Local Government consultation response makes specific reference to the following Acts.

- a) The Child Poverty Act 2010, which imposes a duty on local authorities and their partners, to reduce and mitigate the effects of child poverty in their local areas.
- b) The Disabled Persons (Services, Consultation and Representation) Act 1986, and Chronically Sick and Disabled Persons Act 1970, which include a range of duties relating to the welfare needs of disabled people.
- c) The Housing Act 1996, which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups.

12.3 An equality impact assessment must be completed and consultation with appropriate groups with protected characteristics that may be affected by changes to entitlement. We will also use the equality impact assessment to identify any unintended consequences for vulnerable groups to ensure that our local scheme is fair and equitable.

12. Consultation

12.1 The council would have to fully adhere to the statement of intent issued by the Department for Communities and Local Government which specifies that it must:

- Consult any major precepting authority
- Publish a draft scheme in such a manner as it thinks fit, and
- Consult other such persons as it considers are likely to have an interest in the operation of the scheme.

12.2 It is proposed that the council will undertake a public consultation exercise on the options approved by the Cabinet to ensure it gives the best possible opportunity for interested parties to put forward their views.

Background papers

None

Author

David Lockwood – Interim System Lead, Money Home Job

☎ 01922 658459

✉ david.lockwood@walsall.gov.uk

Signed



Paul Gordon
Head of Business Change

7 September 2016

Signed



Councillor Coughlan
Portfolio holder Social Care

7 September 2016

Appendix 1

Recommendations contained in the Three Years On: An Independent Review of Local Council Tax Support Schemes” by Eric Ollerenshaw OBE dated March 2016

Recommendations to Government

1. Government should remove the January 31st deadline for schemes to be agreed on, and replace it with a condition that councils have an LCTS [Local Council Tax Support] scheme agreed and in place by the end of March each year.
2. Multi-year or rolling schemes should be allowed. Councils should be required to review their schemes at Full Council only when changes are being proposed.
3. The statutory consultation requirements should be clarified by Government, so that councils can take a less risk-averse approach. This should make consultations less burdensome on councils and more engaging to residents.
4. DCLG should issue updates to the prescribed regulations sooner in the year, so as to inform local consultation. This could be a two-stage process, with policy intent provided in summer, and details and updates to regulations confirmed after the Autumn Statement.
5. Government should enable LCTS recipients to pay off arrears through a voluntary attachment to benefits agreed with the council, without the requirement to obtain a liability order. Safeguards should be put in place to ensure that individuals have had the time, information and capacity to consider the option and make an informed decision.
6. Government should work closely with councils to rectify data sharing issues between council systems and Universal Credit systems, and to address concerns about how critical Government-held data will be shared with councils as Universal Credit is rolled out to LCTS recipients.
7. Government should consider localising at least part of the LCTS scheme for pensioners, allowing councils to decide how much support they wish to provide for all low-income residents.
8. Government should consider granting more local flexibility over other nationally-set council tax discounts, such as the single person discount.
9. Government should take steps to better understand the impact of LCTS on individuals and councils, widening the data it holds on LCTS. This will enable future policy evaluation.
10. Government should commission in-depth academic research on the impact of LCTS within the wider context of other welfare and socioeconomic changes.
11. Government should be transparent about how much funding for LCTS is paid through Revenue Support Grant, and it should be explicit about the future funding of LCTS schemes, including any expectations on how LCTS should be locally funded.
12. Government should require councils to clearly state how much funding they intend to pass on to parishes as part of their consultation on LCTS schemes.

13. Government should improve its engagement and ongoing dialogue with local government on LCTS. This could be done via an updated and more transparent Council Tax Partnership Forum or by setting up another forum for this purpose.

14. Government should confirm that LCTS will remain a local discount scheme for a local tax, and that it will not be rolled into Universal Credit.

Recommendations to councils

1. Where possible, councils should work in partnership in designing future schemes. Councils should consider options around joint procurement of software providers, and joint schemes with neighbouring councils, where appropriate.

2. Councils should ensure their debt collection practices remain in line with latest Government guidance, and that their processes are proportionate to the debt involved. Councils should consider signing up to the Citizens Advice “Council Tax Arrears: Good Practice Protocol”, developed in partnership with the Local Government Association.

3. Departments and teams within councils should work closely with each other and with partner organisations to develop a holistic approach to LCTS council tax collection, identifying and supporting people who are struggling to pay.