

Neighbourhoods Scrutiny

31st March 2017



Report of:	Service Director – Citizen Services
Title:	Council Tax Reduction (CTR) scheme for 2018/19
Ward:	Citywide
Officer Presenting Report:	Patsy Mellor
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Recommendation

To inform Scrutiny's understanding of how Bristol City Council's Council Tax Reduction (CTR) scheme currently operates and seek feedback regarding possible options we may choose to look at under the review taking place this year for a scheme is 2018/19.

Possible options are shown in section 4 of this report (proposals) and appendix 2 (scheme examples).

Summary

CTR is a discount scheme that is operated by all English councils. Pensioners are protected from any changes under a prescribed national scheme. Bristol City Council has funded its working age scheme in full since its introduction in 2013.

The council's funding gap for 2018/19 is reported as £14.3million so should consider any savings from the scheme. However, to do so would mean reducing support to low income, working age households.

Any changes to a scheme must be agreed at Full Council and savings need to be reflected in the council tax surplus/deficit report by 31st January 2018 following a 12 week public consultation period.

The significant issues in the report are:

- Changes to the CTR scheme will result in financial losses to low income households who are already impacted by changes and freezes to working age benefits and tax credits
- All options that result in reduced support will disproportionately impact females, disabled people and BME communities
- The council can protect vulnerable groups through identifying them based on household circumstances or receipt of a specific benefit or income. Alternatively a discretionary fund may be set up to help those who cannot pay
- Collection of relatively small sums of money will result in reduced recovery of council tax and increased recovery costs



1. Policy

None

2. Consultation

Internal

Members (through workshops and scrutiny), Neighbourhoods Leadership Team, Citizen Services Managers, Consultation Team, Customer Insight, Scrutiny coordinators, Communications and Marketing

External

This proposal will be subject to a 12 week consultation period with the public and Voluntary and Community Sector (with a specific event for the latter). Initial feedback will be gathered from the Joint Planning Board for Welfare Reform and Advice Provision and VOSCUR.

3. Context

1. CTR is a discount scheme that is operated by all English councils and the Scottish and Welsh Governments (where national schemes operate). It was introduced in 2013, following the abolition of Council Tax Benefit (CTB). Pensioners are protected from any changes under a prescribed national scheme.
2. The current working age CTR scheme in Bristol is based on the default scheme that was produced as a 'template' for councils in 2013. This was imposed on councils that did not make a scheme by 31st January 2013. Bristol, along with many other English councils, chose to adopt it as its local scheme. This continued to provide the same levels of support as the CTB scheme it replaced.
3. Funding in 2013/14 was provided through a grant that was identifiable within the Revenue Support Grant, albeit with a 10% reduction in funding. The following year funding was included within the grant but was not identifiable as a discrete income stream. However, the council made a decision to continue funding for the scheme and has done so ever since.
4. Without changes to the scheme, CTR is forecast to cost the council £41.6million in financial year 2018/19. A proportion of this cost is met through monies included in the Revenue Support Grant. It is anticipated that this cost will be picked up by councils as they move towards 100% retention of business rates by 2020.
5. The council's funding gap for 2018/19 is reported as £14.3million. Therefore the council should consider any savings from the scheme. However, to do so would mean reducing support to low income, working age households. We also expect further rollout of Universal Credit (UC) to coincide with the start of the 2018/19 financial year.
6. This means consideration should also be given to making the scheme as UC compatible as possible. This can include introducing tolerances for changes in income to prevent monthly reassessment and rebilling or moving to an income banded scheme (see below in scheme options).
7. The Local Government Finance Act 2012 requires councils to operate a CTR scheme and review it annually. Any changes to a scheme must be agreed by 31st January each year. For Bristol this means a full council decision and proposed changes are subject to a 12 week consultation period.

8. CTR currently supports 38,065 households with the cost of their council tax. Almost 25,000 are working age households and the remainder are pensioners.
9. CTR supports citizens that are on low incomes or have high outgoings on the basis of family size and needs. Households that receive income replacement benefits such as Income Support, Income Based Jobseeker's Allowance and Income Related Employment and Support Allowance generally receive full support with their council tax.
10. Other households are subject to a means test based on their income and family size and needs around disability. Any income that the household has that exceeds their needs is used to reduce their CTR award at a rate of 20p for each pound that exceeds their needs assessment. This results in a gradual tapering away of entitlement as income increases.
11. 259 out of 326 English councils do not provide full CTR to low income households and charge a percentage of council tax (usually 8.5% or between 20% and 25% of the net council tax liability). This will impact on council tax recovery rates for low income households as experienced by other councils.
12. 199 councils removed 2nd Adult Rebate for low income adults living with CTR recipients whose income is too high to qualify for mainstream CTR. 52 councils have introduced minimum CTR awards and 86 reduced capital limits from those within the CTB scheme. These measures do not deliver significant savings but may streamline administration.
13. 57 councils introduced a restriction to support beyond a council tax banding. This has been modelled in the past for Bristol and did not deliver significant savings unless restricting to a band B liability (giving a £700,000 saving) and had a disproportionate impact on BME communities. Only two councils have reduced support altogether for households living in properties above a certain council tax band.
14. 133 of the councils that do not fully fund their schemes have set aside a discretionary fund to provide further support to low income households. Take up and amounts set aside do vary considerably between councils¹. This generally ranges from a few thousand to up over £250,000 in some cases.
15. In addition, some councils automatically protect households that they have defined as 'vulnerable'. This is usually around disability and/or young children in the household. Automatic protection of certain households does result in a higher minimum payment being applied to fewer households to achieve the same level of saving across the scheme and may result in reduced collection from CTR recipients.
16. Councils should have due regard to its duties under legislation when considering its CTR scheme. Guidance issued in 2014 by the Department for Communities and Local Government (DCLG)² highlighted the following:-
 - The public sector equality duty (The Equality Act 2010)
 - The duty to mitigate effects of child poverty (The Child Poverty Act 2010)³
 - The duty to prevent homelessness (The Housing Act 1996)

¹ Much of this information has been taken from New Policy Institute data gathered for all English Local Authority CTR schemes <http://www.counciltaxsupport.org/schemes/>

² 'Localising Support for Council Tax – Vulnerable people key local authority duties' https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/277176/140203Localising_Support_for_Council_Tax_Vulnerable_people_-_key_local_authority_duties.pdf

³ Although this legislation was abolished in 2016, the government committed to publish data on child poverty

17. Collection rates reduced in for most English councils in 2013. All councils that introduced a minimum payment in excess of 20% experienced this. The collection rates for these councils dropped by up to one percent and generally the higher minimum payments resulted in worse collection rates.
18. Only 59 councils did not experience a reduction in collection rates for council tax. Of these, 52 had minimum payments set between zero and 8.5%. Evidence suggests that collection does improve over time for councils that introduce a minimum council tax payment.
19. One aspect of collection that was identified was that drops in collection coincided with changes to the minimum payment. Councils tended to maintain or improve collection rates if they did not make changes to the scheme each year.
20. When looking at CTR recipients only, the collection rates ranged from 65% to 75% generally. This was even where overall collection rates were in excess of 97%. This means that the net savings for any scheme will be reduced.
21. All council that did reduce support within the CTR scheme have identified a much more resource and cost intensive recovery process is in place. This is exclusive of any additional costs of administering a scheme. Many councils altered their recovery processes for CTR recipients⁴.
22. In Bristol, 75,000 reminders are currently issued, with 21,000 going to summons stage. (38% and 11% of all domestic properties respectively). This is inclusive of those who receive CTR for all or part of their liability. It is anticipated that there will be an increase in recovery action if a minimum charge is introduced. Further work is being undertaken to establish the costs associated with each of these transactions and also the impact within other core cities that have introduced.
23. A trend that was identified was that unitary authorities and metropolitan areas experienced higher reductions in collection compared to shire districts. This is likely to be attributable to higher levels of deprivation and proportions of CTR applicants in such areas. A summary of schemes introduced by other council is included in appendix 1.

4. Proposal

The proposal is to develop a range of options for the CTR scheme in 2018/19 with input from members in the form of workshops and through the scrutiny process. Options on which to consult will need to be approved by cabinet prior to public consultation. Illustrative high level scheme examples are below and included in appendix 2:-

- Retain current CTR scheme for all working age households (included in appendix 2 as example 1)
- Minimum payment of a percentage of net council tax liability for all working age households (two examples are included in appendix 2 as examples 2)
- Scheme based on bands of income (included in appendix 2 as example 3)
- Remove 2nd Adult Rebate for all working age households (see 'additional features' section of appendix 2)
- Reduce capital limits for all working age households (see 'additional features' section of appendix 2)

Further support for vulnerable, low income households will need to be considered either through defining vulnerable groups within the scheme or the introduction of a discretionary fund (see 'vulnerability' and 'discretionary fund' sections of appendix 2).

⁴ Much of this information is taken from 'Three Years On: An independent review of Local Council Tax Support Schemes' by Eric Ollerenshaw – March 2016 (OGC)

5. Other Options Considered

None. It was a requirement of the Cabinet decision on 4th July 2017 to consider options for a scheme in 2018/19.

6. Risk Assessment

In order to change its working age CTR scheme for 2018/19, Bristol City Council is required to consult on any proposals. Any changes to a scheme must be agreed by 31st January 2018 by Full Council.

The scheme must remain unchanged if this process is not followed and the council will be obligated to continue to fund the scheme in full. This may exceed £41million by 2018/19.

Reviewing the scheme gives Bristol City Council the opportunity to consider how it can support low income households in future and whether it can continue to commit the level of funding to the scheme required to fully support households with their council tax costs.

Any savings stated within this report will not include the costs of recovery and assumes that all outstanding liabilities are recovered in full. This will not be the case for reasons stated within the body of the report and further decisions will need to be made on how to recover outstanding liabilities from households receiving CTR.

7. Public Sector Equality Duties

Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:-

- i. Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
- ii. Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to:-
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- iii. Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to:-
 - tackle prejudice; and
 - promote understanding.

An equalities relevance check has been undertaken for this proposal and confirms that a full Equalities Impact Assessment (EqIA) will be required.

Work has been undertaken to identify the characteristics of households who current receive support under the working age CTR scheme. This information will be refined into the EqIA as the options are developed for consultation. A summary of who is currently supported by CTR is included as appendix 3 (caseload demographics).

Legal and Resource Implications

Legal

(Advice sought at time of writing)

Financial

(a) Revenue

(b) Capital

(Advice sought at time of writing)

Land

Personnel

There are no immediate HR implications arising from this report. However, should this create an extra administrative burden within the team, a full resourcing plan will need to be developed with HR advice and support to address this.

(Personnel advice given by Alex Holly, HR business partner for Neighbourhoods, Talent and Resourcing)

Appendices:

Appendix 1 – Summary of core cities and other comparators

Appendix 2 – Scheme examples (illustrative only)

Appendix 3 – Caseload demographics

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None

Appendix 1 – Summary of core cities and other comparators

Council name	Minimum payment	Key features	Vulnerable definition	Caseload size/split (PAWA) ⁵	In year collection rate ⁶	Overall scheme cost ⁷
Birmingham	20%	<ul style="list-style-type: none"> Ends 2AR Discretionary fund Limit backdating to four weeks 	<ul style="list-style-type: none"> Disability premium ESA and disability benefit Carer's premium War pension/payments Dependant under 6 	129,453 45,769 83,684	94.6%	£96million
Bristol	None	<ul style="list-style-type: none"> As per default scheme 	<ul style="list-style-type: none"> None 	38,993 14,219 24,774	96.6%	£36.6million
Leeds (consultation)	25%	<ul style="list-style-type: none"> Income from benefits disregarded Applicable amount for recipient/couple only No tariff income Decreases income taper for working households Additional support for jobseekers after 6 months No deductions for NDs 	<ul style="list-style-type: none"> None 	74,969 27,924 47,045	95.9%	£48.5million

⁵ Taken from DCLG experimental statistics for 2015/16 quoted in House of Commons Library briefing paper 06672 'Council tax Reduction Schemes – 8th August 2016'

⁶ <https://www.gov.uk/government/statistics/collection-rates-for-council-tax-and-non-domestic-rates-in-england-2015-to-2016>. CTR specific collection rates not available but usually between 65% and 75% as per 'Three Years On: An independent review of Local Council Tax Support Schemes' by Eric Ollerenshaw – March 2016 (OGC).

⁷ See footnote 5. Note these figures differ from those quoted within main report as taken from national reporting for previous financial year

Council name	Minimum payment	Key features	Vulnerable definition	Caseload size/split (PAWA)	In year collection rate	Overall scheme cost
Leeds (consultation) (cont'd)		<ul style="list-style-type: none"> Discretionary fund 				
Liverpool	8.5%	<ul style="list-style-type: none"> As per default scheme 	<ul style="list-style-type: none"> None 	71,597 27,879 43,718	94.5%	£59.8million
Manchester	15%	<ul style="list-style-type: none"> Ends 2AR Discretionary fund 		65,356 21,103 44,253	92.4%	£38.8million
Newcastle	15%	<ul style="list-style-type: none"> Limit backdating to for weeks Additional earning disregard of £2.50 £1 minimum award 	<ul style="list-style-type: none"> Removed from 1st April 2016 	43,987 14,908 29,079	97.1%	£24.5million
Nottingham	20%	<ul style="list-style-type: none"> Ends 2AR 50p minimum award 	<ul style="list-style-type: none"> None 	34,523 12,490 22,033	92.5%	£26.5million
Sheffield	23%	<ul style="list-style-type: none"> Ends 2AR Discretionary fund 	<ul style="list-style-type: none"> None 	55,190 24,154 31,036	94.3%	£37.3million
Bath and North East Somerset (proposed 2017 scheme)	10%	<ul style="list-style-type: none"> Ends 2AR Changes made for those receiving UC Banded scheme applies for recipients of UC Additional amounts added to bands for couple or children 	<ul style="list-style-type: none"> None 	10,827 5,074 5,753	98.7%	£8.8million

Council name	Minimum payment	Key features	Vulnerable definition	Caseload size/split (PAWA)	In year collection rate	Overall scheme cost
Bath and North East Somerset (proposed 2017 scheme) (cont'd)		<ul style="list-style-type: none"> HCE for UC is treated as income Capital limit of £6,000 Existing awards based on UC transferred from 2017 				
North Somerset	24.5%	<ul style="list-style-type: none"> As per default scheme 	<ul style="list-style-type: none"> None 	14,548 6,838 7,710	97.7%	£10.8million
South Gloucestershire	20%	<ul style="list-style-type: none"> Banded scheme applies for all households 65% of HCE for UC removed Capital limit of £6,000 	<ul style="list-style-type: none"> Disabled and 'long term sick' (but only moves households into band 1 for 80% maximum discount) 	14,444 6,701 7,743	98.3%	£9.6million

Appendix 2 – Scheme examples (illustrative only)**Example 1 – Do nothing scenario**

	3% cumulative ASC precept
Baseline for 2018/19	£41.6million

This has been calculated using Northgate's CTR modeller and assumes a 3% cumulative precept for Adult Social Care is applied for 2018/19 along with an increase of 1.99% to council tax.

Example 2 – Minimum payment of council tax liability (25% and 50%)

	25% minimum payment	50% minimum payment
Scheme cost in 2018/19	£34.3million	£27.3million
Saving against baseline	£7.3million	£14.3million
Number of households affected	24,862	24,862
Average additional weekly payment (band B)	£7.07	£14.13

Example 3 – Income band scheme (example taken from South Gloucestershire)⁸

Income band	Weekly income		% discount applied
	Minimum	Maximum	
1	NIL	£120.00	80
2	£120.01	£150.00	50
3	£150.01	£200.00	30
4	£200.01	£250.00	20
5	£250.01	£300.00	10

Additional features

Feature	Annual saving or cost	Households affected
Removal of 2 nd Adult Rebate from scheme	£43,000	227
Capital limit reduced to £6,000	£131,000	303
Removal of Non-Dependant Deductions	£245,000 (cost)	1,107
Minimum weekly award of £1	£2,100	233

⁸ Taken from 'Three Years On: An independent review of Local Council Tax Support Schemes' by Eric Ollerenshaw – March 2016 (OGC)

Rationale for additional features

Feature	Reason(s)
Removal of 2 nd Adult Rebate from scheme	Simplification of scheme
	Main council tax payer not necessarily low income
Capital limit reduced to £6,000	Simplification of scheme (no tariff income calculation required)
	Removes CTR for those with higher savings
Removal of Non-Dependant Deductions	Simplification of scheme (evidence requirements)
Minimum weekly award of £1	Simplification of scheme

Vulnerability – Based on non-cumulative 2% ASC precept

Proposed protected group	Number of households	Cost (25% payment)	Cost (50% payment)
In receipt of Disability Living Allowance or Personal Independence Payments	9,196	£2.6million	£5.1million
In receipt of care component of Disability Living Allowance (middle or high) or daily living component of Personal Independence Payments	5,924	£1.65million	£3.2million
In receipt of the Support Component of Employment and Support Allowance (or Universal Credit equivalent)	4,226	£1.18million	£2.33million
Lone parent with a child under 3 (ties in with work seeking requirements for Universal Credit)	2,664	£677,000	£1.45million

The total cost to protect all of the groups above would be £4.46million for a 25% liability reduction scheme and £8.9million for a 50% liability reduction scheme. This would reduce the savings made and result in scheme costs of £36.6million and £34.5million respectively. The gross savings from the schemes would be £2.4million and £4.5million respectively. The scheme costs are much reduced by only protecting some households that receive higher payments of Disability Living Allowance and Personal Independence Payments.

The above example needs to be remodelled based on a 3% cumulative ASC precept for 2018/19.

Discretionary fund

Where particular vulnerable groups are not already protected, many councils have included a discretionary fund as part of their local CTR scheme or set aside funds for applications under section 13A(1)(c) of the Local Government Finance Act 1992. With the latter, the council has the powers to reduce a council tax liability and this is not limited to those who are in receipt of CTR.

Consideration should be given to setting aside a discretionary fund in any case and the budget set according to whether the council decides to provide automatic protection to particular groups of applicants.

Appendix 3 – Caseload demographics

Income types

The table below gives a breakdown of working age households within the current CTR caseload and income types:-

Income type	Households
Income Support	4,276
Income Based Jobseeker's Allowance	1,794
Income Related Employment and Support Allowance	9,736
Standard (includes working households)	9,056

Single parents

Single parents make up 8,504 of the households currently receiving CTR and the majority of those receiving CTR based on an award for Income Support. The vast majority of single parent households are females (less than 5% are male households).

Disability

Just over 10,000 households within the entire CTR caseload receive some form of disability benefit, although many more households may be disabled and not claiming any disability benefits.

Around 40% of those households that do receive disability benefits get higher rates of Disability Living Allowance or the Daily Living Element of Personal Independence Payments and either lives alone or with a severely disabled partner.

Within the table above, almost 10,000 households are not required to be available for work through illness or disability and have been awarded Income Related ESA on that basis. Approximately a third is estimated to receive the higher support component of ESA and a many get this benefit on a contributory basis. Overall we estimate that around 4,000 households get the higher support component.

There are 918 households with a child where a disability benefit is in payment in respect of them. A further 148 households have two disabled children and 21 have three. It is likely that there are more disabled children within households receiving CTR due to the under claiming of Disability Living Allowance and awards being limited for younger people.

Ethnicity

Previous exercises indicate that 11% of CTR recipients declared as BME and 16% as ethnicity (other). Work has undertaken to identify potential impacts on these households at a Local Super Output Area (LSOA) level. Many of the LSOAs that have above average households receiving CTR also have a higher than average percentage of BME communities.

Overall the CTR caseload is estimated to contain 25% BME communities. They are overrepresented within the caseload when compared to the population of Bristol as a whole (where 16% of the population is from a BME community). Therefore any reductions in support are likely to disproportionately impact these groups.

Faith

Further work needs to be completed on the impact on faith groups as a result of any reduction in support

Sexual orientation

Further work needs to be completed on the impact on this group as a result of any reduction in support.

Gender

Households receiving CTR are predominantly female, although joint applications are made with a lead applicant. Most of the single parent households and a further 5,059 single households are female.

Households with children

Almost half of working age households have at least one dependent child or young person living in them. Overall there are 24,526 children and young people living in households that are receiving CTR. The distribution of households is shown below:-

Children in household	Number of households	Total number of children
1	5,019	5,019
2	3,564	7,128
3	1,979	5,937
4	859	3,436
5	324	1,620
6	135	810
7	46	322
8	16	128
9	9	81
10	2	20
11	1	11
14	1	14

Age

The age profile for CTR is shown below:-

Applicant age	Households
Under 25	1,298
25 to 34	5,665
35 to 44	6,398
45 to 54	6,845
55 to 64	5,491
Over 65	12,368

Households where the applicant or their partner is over state pension credit age (i.e. the current retirement age for females) are protected under the prescribed scheme for pensioners. However, most applicants are within the higher age brackets. This is likely a result of younger households living in shared accommodation without a council tax liability.

Wards

There are more households receiving CTR in areas that are likely to be more deprived with higher than average levels of people in receipt of working age benefits and tax credits. Hartcliffe and Withywood, Lawrence Hill and Avonmouth and Lawrence Weston are the wards with the highest numbers of households receiving CTR. These three wards account for over a quarter of the working age CTR caseload.

Wards are shown below with numbers of working age households receiving CTR (5 most and 5 least affected wards highlighted):-

Ward	Number of households
Ashley	1,373
Avonmouth and Lawrence Weston	1,521
Bedminster	406
Bishopston and Ashley Down	162
Bishopsworth	454
Brislington East	614
Brislington West	465
Central	787
Clifton	277
Clifton Down	163
Cotham	242
Easton	916
Eastville	929
Filwood	1,407
Frome Vale	700
Hartcliffe and Withywood	2,508
Henbury and Brentry	973
Hengrove and Whitchurch Park	856
Hillfields	765
Horfield	647
Hotwells and Harbourside	190
Knowle	615
Lawrence Hill	2,501
Lockleaze	913
Redland	175
Southmead	953
Southville	546
St George Central	777
St George Troopers Hill	171
St George West	420
Stockwood	608
Stoke Bishop	244
Westbury-on-Trym and Henleaze	164
Windmill Hill	622