

## **Appendix A – Further essential background and detail on the proposal**

### **Background**

The CTR scheme provides support to over 36,000 households who are on a low income with the cost of their council tax. Pensioners are protected from any changes under a nationally prescribed scheme. 24,000 working age households get the same levels of support as they did before the Council Tax Benefit (CTB) scheme was abolished in 2013.

The decision to maintain the current scheme for 2018/19 was made by cabinet on 7<sup>th</sup> November 2017. Bristol's scheme is based on CTB and utilises the same assessment process as Housing Benefit (HB). This currently provides for some administrative savings, as the council receives funding from the DWP to administer HB. A much smaller amount of funding is received from the Ministry of Housing, Communities and Local Government to administer CTR.

Funding to administer HB has reduced in recent years and is likely to reduce further as a result of the introduction UC with effect from 2018/19. In addition, funding to administer CTR has reduced:-

Funding source <sup>1</sup>	2016/17 (£millions)	2017/18 (£millions)	2018/19 (£millions)
Department for Work and Pensions (DWP) (HB)	2.102	1.928	1.719
Ministry of Housing, Communities and Local Government (CTR)	0.693	0.657	0.627
Total	2.795	2.585	2.346

Overall there is a decrease in central government funding of over 9% in the last year. It is unclear as to whether funding from the Ministry of Housing, Communities and Local Government will increase to mitigate the loss of administrative savings and funding in administering HB alongside CTR.

The council has historically made up shortfalls between central government funding and the cost of administration but this will present a cost pressure going forward.

Although the means test for CTR in the case of UC is relatively straightforward, a high volume of notifications are received from the DWP. Over 20,000 separate notifications have been received since UC was initially introduced in 2015. This is in connection with 3,000 addresses and the administration of around 700 CTR awards.

Almost 1,000 notifications were received within the first month of UCFS being implemented in Bristol and this presents a challenge to the Benefits Service going forward.

The degree to which this will impact the council in terms of administration will depend upon the level of automation between the notifications sent by the DWP and the council's assessment system for CTR. The way in which the current CTR scheme treats UC in the assessment process will also result in a higher administrative burden. This will affect households who are in work and have a fluctuating monthly income.

### **Options for 2019/20**

There are two core options that the council can consider for its scheme in 2019/20. These are detailed below, along with the advantages and disadvantages to adopting each option.

#### **1. Maintain the existing CTR scheme for all households**

The cost of this scheme is estimated to be £40.6million for 2019/20 (£13.5million pension age and £27.1million working age).

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<sup>1</sup> Central government funding taken from GOV website

Maintain levels of funding for the scheme so that households get the same levels of entitlement as they would under the current scheme. This would not require as much resource for planning and consultation, and can be agreed by cabinet. It would not address the issues around alignment with UC, fluctuations in income and administrative pressures.

The advantages and disadvantages to this option are shown below:-

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Maintains current levels of support to households on a low income</li> <li>• Reduces risk of increased debt to the council for households on a low income</li> <li>• Aligns to protecting vulnerable households</li> <li>• Will not impact disproportionately on any equality group</li> <li>• No requirement to consult on changes to the scheme</li> <li>• No changes to assessment system required</li> <li>• Citizens, stakeholders and officers already familiar with assessment process</li> </ul>	<ul style="list-style-type: none"> <li>• Will result in unnecessary recalculation of CTR awards following slight changes in income</li> <li>• Adverse impact of recalculation of CTR on recovery of council tax</li> <li>• Maintains current, complex means test as administration grants for assessing HB are reducing</li> <li>• Further changes to national benefits are not taken into account in the CTR scheme</li> </ul>

## 2. Simplify the existing CTR scheme for those moving into Universal Credit

The cost of this scheme is estimated to be between £40.4million and £40.5million for 2019/20 (£13.5million pension age and between £26.9million and £27.0million working age).

Maintain levels of funding for the scheme so that households get the same (or very similar) levels of entitlement as they would under the current scheme but simplify the assessment process and align the scheme more closely with UC for households who move on to the new benefit. All households who are getting current benefits and tax credits (including Housing Benefit) would remain on the existing CTR scheme until they move onto UC.

This should deliver a small saving on administration in 2019/20. This will require resource for planning and consultation, with any changes agreed by Full Council. Changes to the assessment system would also be required, and the extent of these would depend upon the scheme that was developed.

Simplification can be delivered through the introduction of a scheme based on household income only and the use of bands to determine the level of discount that would apply to the applicant's council tax liability. This would allow for minor fluctuation in household incomes without CTR entitlement being affected.

The below is an example of how the scheme could be simplified:-

Discount awarded	Passported benefits in payment <sup>2</sup>	Weekly income			
		Single	Couple	Family with 1 child	Family with 2+ children
100%		Under 110	Under 160	Under 210	Under 260
90%	N/A	110.01 to 150	160.01 to 200	210.01 to 250	260.01 to 300
60%	N/A	150.01 to 230	200.01 to 270	250.01 to 330	300.01 to 370
35%	N/A	230.01 to 300	270.01 to 350	330.01 to 400	370.01 to 450

The income bands would need to be established through modelling of the CTR caseload to ensure that the discount awarded is as close as possible to the current CTR award for households.

<sup>2</sup> Income Support, Income Based Jobseeker's Allowance or Income Related Employment and Support Allowance would attract a 100% discount in the same way as under the current scheme, as would UC entitlement which is based on the household not receiving any other type of income

We anticipate that around 4,000 households will be receiving UC by the end of 2018/19 and this will increase to 7,000 by the end 2019/20. This accounts for 30% of the working age CTR caseload, of which a further third are likely to receive a partial discount under the CTR scheme. This equates to over 2,000 households.

The cost of this scheme is estimated to be £310,000 per annum less than maintaining the existing scheme, if all working age households were to be claiming UC by then. It is not the intention in designing a new scheme to reduce its cost, but is extremely difficult to make it 100% cost neutral due to its complexity.

7,297 households would experience a change in their entitlement, with broadly the same number of households experiencing an increase or decrease in their entitlement. However the net average annual reduction in entitlement would be £42 for all of the 7,297 households (or £12.00 across the entire working age caseload).

Therefore the cost of introducing the scheme for those getting UC only has been calculated on the basis of a gradual increase over 2019/20 and decrease of those getting current benefits and tax credits:-

Date	Current scheme (households)	Banded scheme (households)	Total scheme cost (£m)
April 2019	20,000	4,000	27.0
March 2020	17,000	7,000	26.9

Once the pensioner scheme cost is taken into account, the cost of this scheme is estimated to be between £40.3million and £40.4million for 2019/20.

The advantages and disadvantages to this option are shown below:-

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Maintains current levels of support to households on a low income</li> <li>• Reduces cost of administration of the scheme</li> <li>• Has potential to remove most evidence/information requirements from the process (especially once UC has been fully implemented)</li> <li>• Reduces unnecessary recalculation of CTR award following slight changes in income</li> <li>• Reduces risk of increased debt to the council for households on a low income</li> <li>• Aligns to protecting vulnerable households</li> <li>• Will not impact disproportionately on any equality group</li> <li>• Reduces cost of recovery for relatively small sums from households on a low income</li> <li>• Reduces impact of recalculation of CTR on recovery of council tax</li> <li>• Flexibility for citizens to earn more and not lose CTR entitlement</li> <li>• Easier for citizens, stakeholders and officers to understand</li> <li>• Simplifies scheme aligning more to UC and looks more like a discount rather than a benefit</li> <li>• Low risk as new system is introduced gradually only for those moving onto UC</li> </ul>	<ul style="list-style-type: none"> <li>• No significant savings delivered from making changes to the scheme</li> <li>• Increases in council tax and/or caseload will make the scheme more costly</li> <li>• Requirement to consult on changes to the scheme</li> <li>• Resource for changes to assessment system required</li> <li>• Resource to develop and implement scheme required</li> <li>• Maintaining current level of support may impact funding available for other services</li> <li>• Will result in slight drop in CTR where citizens move between income brackets (If banded scheme is introduced)</li> <li>• May be less fair than current means test</li> </ul>