

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

### **Background**

The CTR scheme provides support to over 35,400 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. 23,800 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 2019/20 was made by Cabinet on 5<sup>th</sup> February 2019. 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 further roll out of UC through 2019/20. In addition, funding to administer CTR has reduced:-

Funding source <sup>1</sup>	2017/18 (£millions)	2018/19 (£millions)	2019/20 (£millions)
Department for Work and Pensions (DWP) (HB)	1.928	1.719	1.558
Ministry of Housing, Communities and Local Government (CTR)	0.657	0.627	0.599
Total	2.585	2.346	2.157

Overall there is a decrease in central government funding of just under 9% 2019/20 with the Benefits Service costing a net £900k p.a in 2019/20 to the General Fund. 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.

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 treats UC in the assessment process will affect households who are in work and have a fluctuating monthly income.

### **Options for 2020/21**

There are three core options that the council can consider for its scheme in 2020/21. These are detailed below, along with the advantages and disadvantages to adopting each option.

#### **1. Maintain the existing CTR scheme**

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.

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<sup>1</sup> Central government funding taken from GOV website and 2019/20 CTR funding is provisional

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>• Reduces cost of recovery for relatively small sums from households on a low income</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>• 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>• Maintaining current level of support may impact funding available for other services</li> <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</li> <li>• Further changes to national benefits are not taken into account in the CTR scheme</li> </ul>

## 2. Simplify the existing CTR scheme

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. This could deliver a small saving on administration in 2020/21. 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.

It is impossible to determine with any certainty, at present, any significant administrative savings, as each case would still need to be reassessed in the same way, apart from some potential reduction in evidence gathering requirements. In addition any change to entitlement and subsequent rebilling is mainly automated. However as not all changes in UC income would result in a change to CTR entitlement, there would be small savings attributed to a reduction in re-billing and linked enquiries, especially due to changes in bills and the instalments within which any net Council Tax is due. This cannot currently be quantified.

Simplification can be delivered in two main ways:-

1. 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, or
2. Ignoring small changes in CTR entitlement as a result of small changes in income, e.g. +/- £2 per week CTR change (equivalent to £10 income changes per week).

Both would allow for minor fluctuation in household incomes.

The below is an example of how the scheme could be simplified via a banded scheme (based on Newcastle's scheme for 2019/20):-

Discount awarded	Passported benefits in payment <sup>2</sup>	Weekly income			
		Single	Couple	Family with 1 child	Family with 2+ children
100%	N/A	Under XX	Under XX	Under XX	Under XX
90%	N/A	XX to XX	XX to XX	XX to XX	XX to XX
60%	N/A	XX to XX	XX to XX	XX to XX	XX to XX
35%	N/A	XX to XX	XX to XX	XX to XX	XX to XX

An example of how a deminimus change scheme could work at £10 per week (or £2 CTR) as below :-

*A working age couple on Council Tax Reduction have an applicable amount of £114.85 per week. Their UC income and earnings are £134.85 per week (£20 over the applicable amount). As a result they are awarded £21.34 CTR per week (at a rate of 20% of excess minus the Council Tax liability of £25.34 per week)*

*Their UC income and earnings then changes to £139.85 per week (a £5 increase or would have been a change of £1 per week CTR)*

*This is below the deminimus change threshold of £10 or £2 CTR per week – so no actual change in CTR entitlement takes place.*

The income bands or deminimus changes levels 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. Any changes to the scheme could be introduced gradually for households moving onto UC only.

This could be also incorporated with other administrative savings changes, such as simplifying non dependant deductions and capital assessment rules.

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</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</li> </ul>

<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

<p>equality group</p> <ul style="list-style-type: none"> <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>• Reduces administrative burden and risk of error by aligning with pensioner CTR scheme and UC</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> </ul>	<p>citizens move between income brackets (If banded scheme is introduced)</p> <ul style="list-style-type: none"> <li>• Multiple less than deminimus changes in income and therefore CTR entitlement, both positive and negative, would result in no change in CTR and therefore potential inequality, as opposed to one change above the deminimus level (ignore small changes only)</li> <li>• May be less fair than current means test</li> </ul>
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### 3. Simplify the existing CTR scheme and introduce a minimum payment for working age households (cost saving option)

Simplify the assessment process (as described in option 1) and align the scheme more closely with UC and introduce a minimum payment for working age households. 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.

The introduction of a minimum payment was proposed again for the 2019/20 scheme but was not broadly supported and attracted negative publicity throughout the period of consultation. It would also necessitate the development of a discretionary fund to support the most adversely affected households.

Gross reductions in the cost of the scheme are currently estimated at between £4.4million and £5.9million for a 15% and 20% minimum payment respectively.

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

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>• Has potential to reduce costs or make savings even when recovery rates are considered</li> <li>• Removes need for means testing process</li> <li>• Targeted support can be given to those most in need through automatic protection or a discretionary fund</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> </ul>	<ul style="list-style-type: none"> <li>• Increases debt to the council for low income households</li> <li>• Increases overall costs of recovery for relatively small sums from lots of households</li> <li>• Increases overall administration for dealing with discretionary fund payments (if implemented) and disputes</li> <li>• Will impact citizens already on a low income already affected by benefit changes and freezes to benefits and tax credits</li> <li>• May increase use of foodbanks and/or charitable funds</li> <li>• May not protect vulnerable households</li> <li>• Will impact disproportionately on some</li> </ul>

- Reduces risk of increased debt to the council for households on a low income
- Reduces impact of recalculation of CTR on recovery of council tax
- Reduces administrative burden and risk of error by aligning with pensioner CTR scheme and UC
- Flexibility for citizens to earn more and not lose CTR entitlement
- Easier for citizens, stakeholders and officers to understand
- Simplifies scheme aligning more to UC and looks like a discount rather than benefit

- equality groups
- Requirement to consult on changes to the scheme
  - Resource for changes to assessment system required
  - Resource to develop and implement scheme required
  - Maintaining current level of support may impact funding available for other services
  - Will result in slight drop in CTR where citizens move between income brackets (if banded scheme is introduced)
  - Increased demand for citizen services, more queries
  - Increased transaction costs if minimum payment is not made using cost effective methods (e.g. Direct Debit)
  - May be unpopular and result in more complaints
  - May impact other services where affordability checks are in place (e.g. access to social housing)
  - May be less fair than current means test
  - Development of a discretionary fund would undermine the administrative simplification