

# Resources Scrutiny Commission

30<sup>th</sup> November 2020



## Report of:

**Title:** Council Tax Reduction 2021/22

**Ward:** All

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## Recommendation

To note the decision in respect of Bristol's 2021/22 Council Tax Reduction scheme, the estimated costs of it and rationale for doing so.

## The significant issues in the report are:

- Bristol's CTR scheme supports 35,400 low income household of which 23,800 are working age
- The cost of the scheme is currently £42.2m and is estimated to be £46.3m for 2021/22
- Bristol is only one of fewer than 10% of English local authorities and the only Core City to continue to not change its scheme since 2013 and therefore not impose reductions in CTR entitlement to low income households
- Average reductions in CTR entitlement are now 24% (£196 a year)
- Where a new minimum additional payment has been added to CTR schemes, this leads to non-collection rates being 10% higher (25% as opposed to 2.5% pre 2013)
- Introducing a minimum payment causes significant increase (10% – 25%) in the number of people contacting Citizens Advice (and other agencies) mostly around council tax and other debt
- Changing a CTR scheme in the current COVID pandemic economic climate will have adverse effects on Bristol's poorest and therefore negative impacts on poverty, inequality and living standards; especially in the most deprived areas.



## 1. Summary

1.0 This report highlights the decision that Bristol City Council made for its 2021/22 Council Tax Reduction Scheme compared to other authorities, the reasons why (including impact on households and collection rates) and estimated costs of providing this, especially following the outbreak of COVID 19.

## 2. Context

### 2.0 Background

2.1 Following the abolition of Council Tax Benefit (CTB) in 2013, local authorities (LAs) in England were charged with designing their own Council Tax Reduction (CTR) schemes for those of working age – though they were obliged to provide a centrally determined and protected level of support for pensioners. With reduced funding being made available to local authorities by government, most chose CTR schemes that were less generous than the CTB system they were replacing, with some low-income households having to pay council tax for the first time and others seeing their tax liabilities increase. Bristol was and remains, an exception to this.

2.2 CTR remains a significant part of means-tested support with it supporting around 4.9 million households in Great Britain which is more than any 'benefit', costing £4.1 billion and representing 11% of gross council tax bills.

2.3 The CTR scheme in Bristol supports 35,778 low income household of which 25,041 are working age who continue to get the same levels of support as they did before CTB was abolished in 2013.

2.4 Bristol reviews its' scheme each year in line with legislation, but has only been out to full consultation following its inception in April 2013 and in 2017 when it looked to possibly change its 2018-19 scheme (before deciding not to). For all other years Cabinet has decided to keep the same scheme 'as is'.

### 3.0 So what have other Councils done?

- 90% of English councils have made some changes to their CTR scheme for working-age households -almost all of them cuts – this now includes all core cities. Noticeable exceptions are in some London local authorities (Westminster, Kensington and Chelsea, Hounslow, Camden) and on the mid-South coast (e.g. Chichester, Winchester, East Hants) and in the far North (North Cumbria, County Durham)
- Furthermore, central government cuts to national benefits – such as the freeze to most working-age benefit rates that were in place between April 2015 – March 2020, and the abolition of extra support for third and subsequent children – have often been mirrored in many CTR schemes.
- The most widespread and important change has been the introduction of minimum council tax payments, requiring all households (except any 'vulnerable groups' the council decides to protect) to pay at least a certain proportion of their gross council tax bill.
- Schemes differ substantially, meaning that similar families can have very different council tax bills depending on where they live - most common level of minimum payment is 20% – adopted by over a quarter of councils.

- A fifth of councils have no minimum payment and another fifth have minimum payments of over 20%.
- More deprived councils, and by therefore often by nature Labour councils have been more likely to introduce minimum payments than other councils – but this is also linked to larger cuts to CTR funding from central government. This is also true for almost all of Core Cities.

#### 4.0 Consequences at household level where CTR schemes have changed.

- The 3.6 million working-age households who would have been entitled to some support under the old CTB system are now entitled to 24% (or £196 a year) less on average – 1.0% of their income – when compared to Bristol’s current CTR scheme.
- In addition, about half of the additional cuts since 2013–14 are as a result of councils mirroring cuts that central government has made to the wider benefits system (e.g. benefits freezes) – which is a decision that Bristol has also not taken.
- There are now 39% of households nationally who have to pay some Council Tax who would not have had to pay it if the generosity of the pre-2013 system had been maintained.
- A further 44% of households are now billed for more than they otherwise would have been.
- Overall, only 25% of the households that would have had their Council Tax bills entirely covered by the old CTR system still have it fully covered by CTR – with 63% paying more than £100, and 33% paying more than £200 and almost 10% paying more than £300 (note these 3 groups are not mutually exclusive)
- Nationally, low-income households are more likely to have seen their CTR cut if they live in a more deprived area; with households that receive the lowest 20% of income who are also in the 20% most deprived authorities, having a 60% chance of seeing their entitlement reduced, as opposed to those just living in the 20% most deprived authorities (not income related) having a 46% chance of reduction in entitlement.

#### 5.0 Impacts of scheme choices at local authority level.

- Cuts to CTR have led to sizeable increases in the amount of council tax going uncollected.
- It is estimated that about a quarter of the additional council tax liability arising from cuts to CTR is not collected in the year it is due. This is far higher than the typical rate of non-collection of Council Tax - around 10 times higher than the typical 2.5% of council tax that at pre 2012-13 levels.
- Difficulties in collecting the extra tax appear to be long-lasting, with it being estimated that councils failed to collect a quarter of the additional liabilities created by minimum payments in 2017–18
- Introducing a minimum payment has also caused a significant increase in the number of people in that LA contacting Citizens Advice (and other agencies) for advice or help relating to Council Tax or CTR – with enquiries increasing by around 15–20%.

5.1 The below shows collection rates from core cities compared to its CTR scheme for Q2 in 2020/21

Local Authority	Council Tax collection rates (Q2 20/21)	CTR Scheme
Coventry	54.80%	15% minimum liability scheme
Leeds	54.06%	25% minimum liability scheme
Bristol	53.94%	No minimum liability scheme

Newcastle	52.61%	10%, 15%, 50% or 75% by income band
Birmingham	52.19%	20% minimum liability scheme
Nottingham	50.71%	20% minimum liability scheme
Bradford	49.90%	30% minimum liability scheme
Sheffield	49.77%	23% minimum liability scheme
Manchester	47.40%	17.5% minimum liability scheme
Liverpool	47.09%	8.5% minimum liability scheme

## 6.0 Further impacts if Bristol was to change its scheme.

- Reducing a household's CTR entitlement significantly increases the probability that it reports being in arrears on its council tax.
- Among households entitled to less CTR, when compared to Bristol's scheme, the median loss was £179 per year. It is estimated that a loss of that size increased a household's chances of being in council tax arrears by a half.
- Any change to a CTR scheme, post COVID, would be against a backdrop of 8,000 fewer jobs and a doubling of unemployment rates and 70,000 people being furloughed in Bristol, meaning a greater need for financial assistance.
- Any additional hardship would be particularly pronounced in lower super output areas and its neighbourhoods.
- There is evidence that increased assistance in welfare payments such as CTR, helps to reduce inequality and reduce relative poverty and therefore gives those on low income a better living standard as well as reinvestment in to the local economy.
- National study findings suggest that the relatively low collection rate of the additional council tax liabilities is driven by the difficulty of collecting tax from those who would not have had to pay it in the absence of cuts to CTR, due to issues of ability to pay and cost effectiveness of collection.
- Lone parents, renters, and claimants in councils that already had relatively low council tax collection rates, are all more likely than average to fall into council tax arrears as a result of being required to do so, due to changes in CTR schemes.
- The same findings do however suggest however, that there is no significant impact of losing CTR on whether a household reports being in arrears on other bills or being unable to afford other items, but this is also probably due to prioritisation of debts especially around utilities and housing costs.

## 7.0 Bristol's CTR scheme costs

7.1 Bristol's scheme currently costs £43,500,991 (as of 1<sup>st</sup> November 2020) or £42,212,260 (net of MHCLG hardship payments for working age households) (columns G/H - 7.3). The trend from 2016/17 to 2019/20 (shown below) shows a slight increase in costs each year as a result of annual increases in Council Tax, the application of the Adult Social Care precept and any increases made by the precepting authorities (Avon and Somerset Police and Crime Commissioner and Avon Fire Authority). However this has been offset by reductions in overall caseload leading to small net increases in expenditure, e.g. -0.4% comparing 2019/20 to 2018/19. Note this only holds true per COVID 19.

7.2 All costs included in this report include those of the precepting authorities. As at 2020/21, Bristol City Council was responsible for 85% of the overall scheme cost.

Year	Total Cost of CTR scheme
2013/14	£40,422,754
2014/15	£38,847,472
2015/16	£37,574,288
2016/17	£37,250,084
2017/18	£38,107,637
2018/19	£38,779,102
2019/20	£38,833,595
2020/21 (projected)	£44,484,255

7.3 The table below shows the month on month changes to CTR caseload and expenditure from April to November 2020. Note that the all costs, in the final column (H) (and highlighted in light grey), are net of the additional monies awarded (as of November c£1.3m) via the MHCLG Hardship Fund in order to be consistent with values in previous years.

Date (A)	Pensioner caseload (B)	Pensioner cost (£) (C)	Working caseload (D)	Working cost (£) (E)	Total Caseload (F)	Total cost (£) (G)	Total cost net Hardship Payments (£) (H)
1/04/2020	11,029	12,993,879	23,248	26,236,777	34,277	39,230,657	39,230,657
1/05/2020	10,996	13,107,763	23,553	27,426,780	34,519	40,534,543	40,534,543
1/06/2020	10,915	13,084,692	24,257	29,086,219	35,172	42,170,912	41,261,880
1/07/2020	10,855	13,067,341	24,567	29,650,828	35,452	42,718,170	41,754,169
1/08/2020	10,832	13,030,889	25,038	30,188,107	35,870	43,218,997	42,165,697
1/09/2020	10,796	13,024,812	25,231	30,481,617	36,027	43,506,429	42,373,675
1/10/2020	10,758	13,003,652	25,125	30,446,995	35,883	43,450,648	42,232,143
1/11/2020	10,737	13,011,914	25,041	30,489,076	35,778	43,500,991	42,212,260

7.4 The trend for 2020/21 has been a large increase in the working age caseload (column D), since April 2020 to September 2020 (7.9%) but a levelling off in demand since. The pension age caseload (column B) however continues to fall slowly (-2.6%) is year and is broadly in line with previous years. This is most probably linked to relative increases in the generosity of pensionable incomes and government's pledge of triple locking state pension increases, leading to some falling out of CTR entitlement. The total caseload (column F) has overall increased by 4.4% and expenditure net of additional MHCLG hardship payments (column G) by 7.6% and almost £2m.

7.5 The modelled costs for the 'as is' scheme in 2021/22 are £46,276,159. This is also in line with the assumptions in Council Tax Base report and a further 5% increase in the working age and continuing 3.6% decrease in pension age caseloads. In addition it also assumes 3.98% overall increase in Council Tax, including the Adult Social Care precept (whilst noting that no decision has been made regarding council tax increases for this year). This is net of the MHCLG Hardship Payments to some working age cases which will cease in 2021/22.

7.6 The current uncertainty around the economy as a result of the coronavirus (COVID-19) outbreak and further more recent lockdown restrictions makes the any estimate for future years extremely difficult. We have however estimated (as above) that the cost at the end of 2021/22 will be £46.3m. The table below shows the effect of increases in the working age caseload on the modelled estimate overall cost of the scheme, if the increase of 5% (highlighted) within the working age caseload itself for 2021/22 was higher.

Percentage increase in the working age caseload (%)	Overall scheme costs (£million per annum)	Amount change (£million per annum)	Percentage change (%)
20	51.1	4.8	10.38
15	49.5	3.2	6.92
10	47.9	1.6	3.46
5	46.3	0	0
0	44.7	-1.6	-3.46

## 8.0 Bristol's choices for 2021/22

8.1 The proposal agreed by Cabinet for 2021/22 was to retain the current CTR. There were no proposals around the delivery of a saving or reduction in costs to the council as this would have a negative impact on communities in an already financially uncertain time, or to simplify its administrative processes, as the requirement to design and consult on such changes would place an unreasonable demand on officer time and council resources.

## 9.0 Conclusion

9.1 Most Local authorities have chosen to amend their CTR schemes, almost exclusively to deliver savings in light of government cuts, but Bristol is an exception to this and continues to support those low income households at the same levels at pre 2013-14.

9.2 The reasons for doing so are highlighted in the report, but benefit not only low income households in terms of reduced poverty but also the local authority in terms of collection.

9.3 The cost of Bristol's CTR has remained between £37.2m - £38.3m since 2014-15 and until the outbreak of COVID 19 when it has increased to £42.2m (net of Hardship Payment additions) and is estimated to rise to £46.3m in 2021/22, but it is hard to predict this with any certainty within the current economic climate.

9.4 Bristol has however committed to continue to 'fully fund' its CTR scheme until at least 2021/22 and notes the importance it provides on supporting Bristol's low income households, especially following the outbreak of COVID 19 and its economic impact.

### Appendices:

None

## LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

### Background Papers:

Cabinet approval for 2021/22 CTR scheme (agenda item 14)

[https://democracy.bristol.gov.uk/documents/s50478/Council%20Tax%20Reduction%202021\\_22\\_Report\\_Cabinet\\_14\\_07\\_2020\\_Final.pdf](https://democracy.bristol.gov.uk/documents/s50478/Council%20Tax%20Reduction%202021_22_Report_Cabinet_14_07_2020_Final.pdf)

Bristol's 2019/20 CTR scheme

<https://www.bristol.gov.uk/documents/20182/34692/Council+Tax+Reduction+Scheme+2018+to+2019/5cb77adf-f90b-fc7a-4711-81432b9dc5e5>