

# Cabinet

4 July 2016



<b>Report Title:</b>	<i>Local Council Tax Reduction Scheme 2017/18</i>
<b>Ward:</b>	<i>Citywide</i>
<b>Strategic Director:</b>	<i>Alison Comley, Strategic Director - Neighbourhoods</i>
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## **Purpose of the report:**

To comply with the legal requirement to annually review the Local Council Tax Reduction (LCTR) scheme. LCTR for low income working age citizens is a discretionary discount of up to 100% of their Council Tax liability.

In 2013 BCC full Council agreed to fully fund The LCTR scheme within a cost barrier of £39.5m therefore the recommendation is to retain the existing scheme for 2017/18 subject to budget approval.

However 2018/19 expenditure for the LCTR scheme is expected to exceed £39.5m and therefore the agreed full Council decision. This report presents a range of possible options for consideration and decisions to be put forward to full Council by January 2018.

## **Recommendation for the Mayor's approval:**

1. That the existing LCTR scheme remains for 2017/18. If this is approved there will be no need for public consultation. If it is not approved public consultation will need to start on 15 August 2016.
2. That the LCTR scheme is reviewed for implementation 01 April 2018 (01 April 2018 – 31 March 2019) as spending is likely to go above previously agreed levels. Options will be developed with Member involvement to capture the ideas of Members and also ensure the appropriate information is provided for an informed decision to be made.



## Background:

1. The LCTR caseload as at 30 April 2016 is 38,707 made up of 25,127 working age claims and 13,580 pension age claims. This split is important as Bristol is only able to define a scheme for working age claims. The LCTR scheme for pensioners is prescribed and therefore there is no control over the expenditure. The LCTR scheme cost for 2015/16 was £13.9m for pensioners and £24.6m for working age claims.
2. For 2016/17 Bristol is one of 41 Authority's out of 326 that 'fully fund' the LCTR scheme. Fully funded is a descriptor for those who base their LCTR scheme on the previous Council Tax Benefit (CTB) and have made no adjustments, such as introducing a minimum Council Tax payment level. Bristol is the only core city to fully fund its LCTR scheme.
3. The Local Government Finance Act 2012 requires Bristol to operate a LCTR scheme and to review that scheme annually. The initial LCTR scheme required approval of full Council and any changes require approval of full Council by the 31 January 2017 for the 2017/18 scheme. If changes are proposed for the LCTR scheme there must also be a 12-week full public consultation. If no changes are proposed the scheme this does not require approval of full Council.
4. The existing LCTR scheme is projected to cost £39.2m for 2017/18, within the £39.5m that was set in the mid-term financial strategy for 2014/15 to 2017/18. With the impact of welfare reform changes the cost of the 2018/19 scheme to BCC will exceed £39.5m this means BCC will have to review the ability to fully fund this scheme. This report outlines costs associated with retaining the current scheme and costs for alternative models.
5. A large amount of the LCTR cost is met from a grant received within the Revenue Support Grant (RSG), the amount received was only identified in year 1 and the Council agreed to fund the additional cost over and above the grant received. The grant for LCTR in year 1 was the cost of the previous Council Tax Benefit scheme less 10%, this equated to £35.5m. As the grant from DCLG for LCTR is not identified it is not possible to identify the additional amount from Council funds. The threshold of £39.5m was set using the grant in year 1 and the agreement in the Medium Term Financial plan to fund a gap of up to £4m.
6. The purpose of this report is not to identify savings as the administration of the service will still need to be completed for housing benefit. This report outlines the potential cost and cost reductions of each alternative model to enable Cabinet to make an informed decision on the preferred option.
7. Three options are listed below (including the existing scheme). Options 2 and 3 show that to reduce the amount spent on LCTR, changes to the existing LCTR scheme would be needed. Given that a 12-week consultation period is required this gives until mid-July 2016 to explore the options in any detail.
8. BCC currently funds 100% of the LCTR scheme, Members need to consider alternatives such as 0% to 100% funding and what the implications of cost to BCC are.
9. Officers note this is a significant decision for Members and the proposal to keep the existing scheme for 2017/18 allows time to work with Members to review the scheme for 2018/19 and also for the Medium Term Financial Strategy to be set, this will allow the Council to know what funds are available. Feedback from Cabinet agenda conference has been taken into account and initial step for 2018/19

would be to set up a workshop with Members. This will allow time to explore the LCTR scheme and ensure officers are able to present the information that Members need to make a decision.

### Option 1 – Existing Scheme

The existing scheme is modelled on the Council Tax Benefit (CTB) scheme it replaced and no changes have been made to how that scheme operates.

Projected Cost: £41.1m 2018/19	
Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• No impact to Citizen.</li> <li>• No change to cost of collection or increase in arrears for Council Tax.</li> <li>• Unlikely to increase footfall for the CSP / CSC.</li> <li>• No significant impact on hardship.</li> <li>• May go some way to assisting those who lose out under Universal Credit.</li> <li>• No significant impact on arrears.</li> <li>• Protects vulnerable households and older people.</li> <li>• Is robust to challenge.</li> </ul>	<ul style="list-style-type: none"> <li>• This will require £1.9m of funding for 18/19 over the previously agreed £39.5 between predicted costs and the threshold set by the council.</li> <li>• It provides support to those who lose out under Universal Credit (UC) so is not supporting the objectives of UC.</li> <li>• No savings in administrative costs.</li> <li>• Some administrative differences between housing benefit and LCTR, such as the time limits for being able to backdate a working age claim.</li> </ul>

### Option 2 – 25% Liability Reduction

LCTR is currently based on 100% of the Council Tax liability. This means if a citizen is entitled to maximum LCTR they do not need to pay any Council Tax. If a 25% reduction is applied certain categories of working age claim will have to pay at least 25% of their Council Tax, even if they entitled to full LCTR. Vulnerable groups as defined within the LCTR scheme such as disabled people will be excluded from this reduction. It should be noted that a liability reduction cannot apply to pension age claims as the LCTR scheme for pensioners is prescribed by national legislation and cannot be locally defined.

260 LAs apply a liability reduction that ranges from 5% to 45%, the BCC proposal is an amount used by 37 Authority's.

Projected Cost: £38.3m 2018/19	
Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Vulnerable citizens are protected.</li> <li>• Remainder of citizens will have 75% maximum support.</li> <li>• There is an equitable spread of reduction in support across all council tax bands.</li> <li>• The 25% reduction in support for non-vulnerable groups is spread relatively widely across categories of claimants with the exception of couples with children and the</li> </ul>	<ul style="list-style-type: none"> <li>• Non-vulnerable citizens will have an average reduction of 25% (£3.68 per week).</li> <li>• Approximately 13.8k<sup>i</sup> non-vulnerable claimants face an average increase in CT payable of £191 per annum without a corresponding increase in income.</li> <li>• Possible additional Council Tax arrears of £942k.</li> <li>• Probable increased cost of collection and</li> </ul>

employed/self-employed. <ul style="list-style-type: none"> <li>• Is robust to challenge.</li> </ul>	enforcement. <ul style="list-style-type: none"> <li>• Possible increased write-offs.</li> <li>• Probable increased cost of discretionary support.</li> <li>• Possible increased cost of debt support and advice.</li> </ul>
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### Option 3 – Income Banded Scheme

One Local Authority operates an income banded scheme. An income banded scheme fits more with the concept of a discount and allows you to set a budget and model your scheme to that budget. The concept is relatively simple in that income is compared against a set of bands and then a percentage discount is awarded. The number of income bands is up to the Local Authority.

Projected Cost: £as defined by Bristol	
Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Potential to define your own savings, i.e the scheme cost could be limited to £30m saving BCC £10m</li> <li>• Administratively simple as there is no reliance upon the system of a means tested by comparing an income against allowances and premiums</li> <li>• The majority of those in vulnerable groups are protected.</li> <li>• The scheme is transparent and easy for recipients to understand.</li> <li>• For the Council to determine how much it wants to spend and then the scheme can be modelled to fit this.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant changes required to Northgate and it is likely this work would incur a cost.</li> <li>• Creates a cliff edge in that once your income reaches a certain level you get nothing, as opposed to a tapered reduction which more gently ‘tapers’ away entitlement</li> </ul>

### Consultation and scrutiny input:

**a. Internal consultation:**

None, at this point approval is being sought to remain with the existing scheme which went through Scrutiny in 2012. If Cabinet decide to change the scheme Scrutiny are programmed to be involved in this.

**b. External consultation:**

None.

### Other options considered:

10. Along with the existing scheme two other options were considered, please see paragraph 7.

**Risk management / assessment:****FIGURE 1****The risks associated with the implementation of the LCTR scheme decision :**

No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK  (Before controls)		RISK CONTROL MEASURES  Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	CURRENT RISK  (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
		1	Expenditure increases above £39.5. A scheme cannot be changed mid-year so any adjustments (subject to public consultation) cannot be applied until 2018/19.		<b>High</b>	<b>Medium</b>	

**FIGURE 2****The risks associated with not implementing the LCTR scheme decision:**

No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK  (Before controls)		RISK CONTROL MEASURES  Mitigation (ie controls) and Evaluation (ie effectiveness of	CURRENT RISK  (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
		1	A tight timescale to identify and fully plan out alternative options for the 2017/18 LCTR scheme.		<b>High</b>	<b>High</b>	
2	Affordability of a new LCTR scheme for citizens if the cost is passed on and this may be further compounded by other welfare changes such as the benefit cap.	<b>High</b>	<b>High</b>	Deferring an alternative scheme that may reduce costs will allow time to work with agencies and develop what, if any mitigation can be put in place.	<b>Medium</b>	<b>Medium</b>	Patsy Mellor
	If the cost of the scheme is passed on to tax payers there will be increased Council Tax arrears.	<b>High</b>	<b>High</b>	Remaining with existing scheme.	<b>Low</b>	<b>Low</b>	Patsy Mellor

**Public sector equality duties:**

Before making a decision, section 149 of the 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 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.**

11. These factors have not changed, the Public Sector Equality duty narrative has been taken from the Full Council report 'Council Tax Reduction Scheme' dated 15 January 2013, presented by the Mayor and written by Julia James
12. The options that involve either fully funding or involve increasing contribution across all non-vulnerable claimants' payments would not disproportionately affect BME group or younger people. The cut would be imposed across all households and affect people equally. We do not know the proportion of women who are pregnant, people with or without a religion or belief or LGBT people within each banding but cannot anticipate any differential effect if the cut is imposed across all households.
13. It is difficult to anticipate accurately who would find it more difficult to pay as this is dependent upon individual circumstance rather than belonging to an equalities community. Women and disabled people are more likely to be Council Tax claimants, but a significant proportion of vulnerable disabled people and women will be excluded from additional payments as they will be included in the protected vulnerable groups.

#### **Eco impact assessment**

[No impact](#)

**Advice given by:** Claire Craner-Buckley, Environmental Project Officer

**Date:** 10 May 2016

#### **Resource and legal implications:**

#### **Finance**

##### **a. Financial (revenue) implications:**

From 1 April 2013 Local Council Tax Support Schemes (LCTSS) replaced council tax benefit in England. Under these local schemes reductions are part of the council tax system, rather than a welfare benefit, and therefore have a direct impact on the council tax base.

Bristol City Council introduced a localised scheme that provided a full set of discounts that replicated the previously existing national council tax benefit scheme up to an approved cost barrier of £39.5m.

If the scheme is left unchanged the overall cost to BCC in 2017/18 is estimated at £39.2m which is within the cost barrier of £39.5m.

Moving further forward, given the increasing financial pressures affecting the Council over the medium term, Members need to consider the implications of continuing to provide a fully funded scheme in line with the wider budget setting process and the Medium Term Financial Strategy.

**Advice given by** Tony Whitlock – Finance Manager  
**Date** 24 May 2016

**b. Financial (capital) implications:**

None as a result of this report

**Advice given by** Tony Whitlock – Finance Manager  
**Date** 24 May 2016

**Comments from the Corporate Capital Programme Board:**

Not applicable

**c. Legal implications:**

The recommendations do not raise any particular legal issues

**Advice given by:** Eric Andrews, Senior Solicitor  
**Date:** 12 May 2016

**d. Human resources implications:**

There are no immediate workforce implications arising from the content of this proposal. Should any of the options necessitate a change in administrative structure to implement, this should be conducted in line with Bristol City Council policies and procedures.

**Advice given by:** Alex Holly, HR Business Partner  
**Date:** 11 May 2016

**Appendices:**

1. Glossary of terms defining vulnerable claimants.

**Access to information (background papers):**

1. [CTR report full council 15.1.13](#)

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<sup>i</sup> 6,777 households with disability, 4,490 households on IS (generally single parents with children <5). Taken from SHBE demographics April 2016