

<b>Report to:</b>	<b>EXECUTIVE</b>
<b>Relevant Officer:</b>	Steve Thompson, Director of Resources
<b>Relevant Cabinet Member:</b>	Councillor Simon Blackburn, Leader of the Council
<b>Date of Meeting:</b>	11 December 2017

## **COUNCIL TAX REDUCTION SCHEME 2018/2019**

### **1.0 Purpose of the report:**

- 1.1 To provide an update on the impact of the Council Tax Reduction Scheme since the introduction in 2013/14 and to seek approval for the proposals for the Council Tax Reduction Scheme for 2018/19.

### **2.0 Recommendations:**

- 2.1 To note the impact of the scheme to date.
- 2.2 To recommend Council to agree the Council Tax Reduction Scheme 2018/19 as set out in Appendix 2d.
- 2.3 That the Executive recommends to Council that the reduction applied to working age claimants remains the same as the 2017/18 Scheme agreed by Council on 25th January 2017 and that the main elements and method of calculating awards will be the same with the exception of:
- Minor amendments to continue to align the Scheme to Housing Benefit.
  - The provision of additional support for low income groups of claimants (in receipt of Income Support, or Income-Based Jobseekers Allowance, or Income-Related Employment Support Allowance) by amending the percentage reduction applied to their award from 27.11% to 13.56%.
- 2.4 To recommend that the Council agrees to continue to operate a Discretionary Discount Policy to be awarded in cases of exceptional hardship as set out at Appendix 2a.
- 2.5 To note at this point in time the Department for Communities and Local Government may still issue changes to the known position for the Pensioner National Scheme. Required changes would be incorporated into the final Scheme presented for adoption at Council on 24 January 2018.

### **3.0 Reasons for recommendation(s):**

3.1 To ensure a Local Council Tax Reduction Scheme is approved by 31 January 2018 and in place by 1 April 2018 avoiding the financial risks associated with the Government imposed default Scheme.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None, a Council Tax Reduction Scheme must be approved by the Council every year.

### **4.0 Council Priority:**

4.1 The relevant Council Priority is: "Communities: Creating stronger communities and increasing resilience".

### **5.0 Background Information**

5.1 The Welfare Reform Act 2012 abolished Council Tax Benefit (CTB); billing authorities were required to adopt a local Council Tax Reduction Scheme (CTRS) to take effect from 1<sup>st</sup> April 2013.

5.2 The Government grant for Council Tax Reduction Scheme was less than 90% of the Government forecast funding levels had Council Tax Benefit continued. This was expected to leave a shortfall in funding of £3.22m based on estimates of demand and assumptions regarding the basis of calculation for the central Government grant. The ongoing level of Government support meant the Council adopted a self-funding Scheme under which all working age claimants had to pay at least 27.11% of their Council Tax in 2013/14. This has remained the case in subsequent years with the exception of the 2017/18 Scheme when it was agreed that additional support was provided to vulnerable groups and they had to pay 13.56%. These vulnerable groups are defined as:

- Where someone in the household receives Disability Living Allowance or Personal Independence Payments.
- Where the applicant is a lone parent and who is responsible and resides with a child under 5 years old.
- Where the applicant or their partner receives Carer's Allowance.
- Where the applicant or their partner is in receipt of a war pension, war widows pension, war disablement pension or equivalent.

- 5.3 The initial 2013/14 funding was separately identifiable but since then the monies have formed part of the overall total Revenue Support Grant. Analysis of the Revenue Support Grant would suggest that the initial £17.58m allocated for the scheme would equate to approximately £8.5m in 2017/18 and £6.8m in 2018/19 due to the continued year on year reductions. This means that in order for the scheme to be self-funding now, the bottom slice would need to be 83.2% for 2017/18 and 97.2% for 2018/19 (based on current Council tax figures).
- 5.4 The Council Tax Reduction Scheme caseload has decreased since the introduction of the scheme in 2013/14 as shown below.

	2013/14	2014/15	2016/17	2017/18 (as at Nov 17)
Working Age	14,504	13,781	13,385	13,114
Elderly	8,815	8,407	7,589	7,389
Total	23,319	22,188	20,974	20,503

The reduction in caseload is attributed to a number of factors. The Government's increase in State Pension Age has meant that it is longer before a customer will be classed as "elderly" and there is traditionally a lower take-up of benefits within this age group. The Government's Welfare Reform Agenda has led to more Working Age claimants moving into work therefore removing households from Council Tax Reduction Scheme entitlement whilst the increased minimum wage coupled with a four year freeze on allowances have reduced Council Tax Reduction Scheme awards.

- 5.5 The Council Tax Reduction Scheme has had a very significant impact on in year Council Tax collection rates. In the last year of Council Tax Benefit, 2012/13, in year collection rate was 95.5%. Since Council Tax Reduction Scheme was introduced and 10,000 low income working age households became liable to pay Council Tax, in year collection has dropped each year. In 2016/17 collection had dropped to 90% owing to a 60.5% collection rate for Council Tax Reduction Scheme cases.
- 5.6 Collection rates are showing no signs of improvement in 2017/18, which will inevitably lead to a drop in ultimate collection and an increase in arrears. This increase in arrears has meant the Council's bad debt provision for Council Tax Reduction Scheme has increased annually since the introduction of the scheme and is currently £4.8m.
- 5.7 Court action can be taken against defaulting Council Tax payers. However, the numbers are limited at any hearing by restrictions placed by the court. Following the issue of a liability order at court an attachment of benefits can be requested. The amount that can be attached from benefits is restricted by legislation, currently £3.70. This means that it is not possible to collect the Council Tax amount payable within the year it becomes due which impacts on in year collection rates. The attachment is administered by the Department for Work and Pensions and they can

delay the process significantly.

- 5.8 The Blackpool Scheme incorporates the national pensioner Scheme decided by Government. This ensures that support continues at the same level as existed under Council Tax Benefit. In Blackpool, pensioners currently account for 36% of the caseload.
- 5.9 For working-age claims there is a means-tested assessment, predominantly based upon the former Council Tax Benefit rules, to establish entitlement. A percentage reduction of 27.11% (13.56% for the vulnerable groups shown in 5.2) is then applied to the award at the end of the assessment.
- 5.10 Although the 2018/19 Scheme will, as far as is possible, have the same design principles as that currently in operation a small number of changes are proposed to align the Scheme with Housing Benefit amendments in order that eligibility criteria are consistent for both Schemes. The Housing Benefit changes are:
- The disregard of Bereavement Support payments, which replaced all the previous social security benefits such as Bereavement Allowance, Widow's Pension, Widowed Mother's Allowance, Widowed Parent's Allowance and Bereavement Payment
  - The disregard of certain Charitable Fund payments, such as those made following recent incidents in Manchester and London.

These changes will only apply to working age claimants and the impact will mean an increased award of Council Tax Reduction although the number of cases affected is expected to be low.

- 5.11 In addition, the Council is proposing to give additional support to certain low income groups:
- Where the applicant or partner receive Income Support, or Income-Based Jobseekers Allowance or Income-Related Employment Support Allowance.

It is proposed that the percentage reduction applied to these low income households is reduced from 27.11% to 13.56%. The estimated cost of providing additional support to these low income groups is £400,000 per year (Council share - £340,000). In order to meet this cost there will be a review of bad debt provision and a review of the Council Tax base for 2018/19.

The value of the percentage reduction is reviewed annually to ensure it remains fit for purpose taking account of ongoing changes in legislation, caseload and financial requirements. It is proposed that for 2018/19 the value of the percentage reduction for other working age customers, who do not fall into the vulnerable or low income categories shown at 5.2 or 5.11, should remain at 27.11%.

5.12 Does the information submitted include any exempt information? No

5.13 Is the Corporate Delivery Unit aware of this report? Yes

The Corporate Delivery Unit has been an integral part of the development of the scheme including the consultation exercise.

5.14 **List of Appendices:**

Appendix 2a: Discretionary Discount Policy

Appendix 2b: Equality Impact Analysis

Appendix 2c: Consultation Report

Appendix 2d: Draft Council Tax Reduction Scheme 2018/19

**6.0 Legal considerations:**

6.1 A resolution by the full Council to adopt a Council Tax Reduction Scheme is required by 31 January 2018. The Scheme will take effect from 1 April 2018.

6.2 The Council Tax and Business Rates Discretionary Discount Policy has been updated and is attached at Appendix 2a.

**7.0 Human Resources considerations:**

7.1 Existing staffing resources within the Benefits service are used to administer the Council Tax Reduction Scheme; however, it is apparent that there has been a considerable increase in face-to-face and telephone contact, particularly when Council Tax bills are issued. The administrative and legal processes required to collect and recover substantial numbers of small amounts place an additional burden on available resources.

**8.0 Equalities considerations:**

8.1 The Equality Analysis that has previously been carried out for the Council Tax Reduction Scheme has been revisited and updated. This aims to mitigate the impact on protected groups and includes the continued availability of a discretionary hardship fund which has been made available through the adoption of a Discretionary Discount Policy. As part of their consideration of the Council Tax Reduction Scheme for 2018/19 Members must read the updated Equality Analysis, which is attached at Appendix 2b.

## **9.0 Financial considerations:**

- 9.1 For 2018/19 it is proposed that the percentage reduction made at the end of the assessment for working age claimants shall be 27.11% with the exception of those claimants who fall into the vulnerable or low income categories shown at paragraphs 5.2 and 5.11, who will be subject to a 13.56% reduction.
- 9.2 A review of the Scheme must be carried out annually to ensure it remains fit for purpose taking account of ongoing changes in legislation, caseload and financial requirements. The Council will be required to approve the Scheme each year.
- 9.3 The Welfare Reform Act 2012 provided for a major overhaul of the benefits system. The Council Tax Reduction Scheme was implemented ahead of the commencement of Universal Credit. The new Scheme of Council Tax Reduction continues to run alongside Housing Benefit during the transition to Universal Credit. Housing Benefit administration will then gradually diminish. Wider changes to existing benefits over the last few years have meant customers on benefits have less money available to pay their Council Tax liability. Whilst there is still an ambition to achieve full collection, this is likely to take longer.
- 9.4 Providing additional support to the low income groups listed in section 5.11 will increase the cost of the Scheme by £400,000 per year. In order to meet this cost there will be a review of bad debt provision and a review of the Council Tax base for 2018/19. Removing low income households from the requirement to pay 27.11% would allow existing resources to be used for collection from the remaining Council Tax payers.

## **10.0 Risk management considerations:**

- 10.1 As part of the overall project management leading to the 2013/14 Scheme, a risk workshop identified a number of risks. Actions required to mitigate those risks have been identified and implemented where possible.

## **11.0 Ethical considerations:**

- 11.1 None

## **12.0 Internal/ External Consultation undertaken:**

- 12.1 Extensive public consultation was undertaken during 2012 to develop the 2013/14 Blackpool Scheme. The overall response concluded that, whilst most people did not agree with the changes, the options proposed by the Council were, in the main, supported.

12.2 Although the main elements and method of calculating awards will remain the same for 2018/19, further public consultation has taken place in respect of the proposed changes to align with Housing Benefit and the proposed additional support to certain low income groups. A summary of the public consultation response is below with the full consultation response attached at Appendix 2c. The Council's response to each comment has been considered and is included within the Equality Analysis, which is attached at Appendix 2b.

12.3 The public consultation exercise for the proposed changes to the Blackpool Scheme was undertaken from 11th September 2017 to 22nd October 2017. The overall response concluded that the majority of the respondents agreed with the proposed changes.

	Agree	Disagree	Don't know
To give additional support to low income groups in the Council Tax Reduction Scheme	15	8	2
To disregard Bereavement Support payments in the Council Tax Reduction Scheme	20	1	4
To disregard of certain Charitable Fund payments, such as those made following recent incidents in Manchester and London.	16	5	4

12.4 Consultation has also taken place with the major preceptors as required by Department for Communities and Local Government guidelines. Both the Lancashire Fire and Rescue Service and the Office of the Police and Crime Commissioner for Lancashire supported the proposed changes to the scheme.

### 13.0 Background papers:

13.1 None.

### 14.0 Key decision information:

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 26/2017

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency:

**15.0 Call-in information:**

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process?

No

15.2 If **yes**, please give reason:

**TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE**

**16.0 Scrutiny Committee Chairman (where appropriate):**

Date informed: 1 December 2017 Date approved:

**17.0 Declarations of interest (if applicable):**

17.1

**18.0 Executive decision:**

18.1

**18.2 Date of Decision:**

**19.0 Reason(s) for decision:**

**19.1 Date Decision published:**

**20.0 Executive Members in attendance:**

20.1

**21.0 Call-in:**

21.1



## **22.0 Notes:**

22.1