

Name of meeting: Cabinet

Date: Cabinet 30th May 2017

Title of report: Review of the Council Tax Reduction Scheme (CTR) 2018/19 with a view to consultation with Kirklees residents on these proposals.

Purpose of report:

To set out a number of options that could be explored and consulted upon prior to any decision in respect of the year 2018/19 and subsequent years

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u>	Yes 19 th Jan 2017
The Decision - Is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Director & name	Debbie Hogg, Service Director for Finance, IT and Transactional Services, 8 May 2017
Is it also signed off by the Service Director, Finance and Transactional Services?	Debbie Hogg, 8 May 2017
Is it also signed off by the Service Director, Governance and Commission Monitoring Officer?	Julie Muscroft, 8 May 2017
Cabinet member portfolio	Cllr Graham Turner

Electoral wards affected: All

Ward councillors consulted: N/A

Public or private: Public

1. Summary

Section 13A(2) of the local government finance Act 1992 requires that each billing authority in England must make a Council Tax Reduction scheme that specifies the reduction in Council Tax available to people in financial need.

This report seeks authority to consult upon options to redesign the authority's scheme for the year 2018/19 and beyond.

2. Information required to take a decision

2.1 The authority has operated a Council Tax Reduction Scheme since April 2013. The scheme must provide prescribed reductions for those of state pension age. There is no such prescription in relation to those of working age.

The matters to be included in a scheme are set out in Schedule 1A of the local Government Finance Act 1992 (Appendix 1).

2.2 Before making a scheme, the authority must (in the following order) ;

- (a) Consult any major precepting authority which has power to issue a precept to it (the Police and Fire Authorities),
- (b) Publish a draft scheme in such manner as it thinks fit, and
- (c) Consult such other persons as it considers are likely to have an interest in the operation of the scheme (Kirklees residents)

2.3 If the authority then decides that it will revise the scheme it must do so no later than the 31st January 2018 if that scheme is to have effect from 1st April 2018.

2.4 Options to Consider

i. Make no major changes

In addition to the prescribed scheme for pensioners the current scheme provides a reduction largely based upon the old Council Tax Benefit regulations.

Most working age recipients do not receive a 100% reduction. Unless they fall into one of the protected groups below, they will pay at least 20% of their total liability depending upon their actual income. All assessments under the local working age scheme are means tested

If any of the following apply the individual could receive upto 100% of their Council Tax liability by way of a reduction:

- A single parent with children under 5
- Receives the severe or enhanced disability premium
- Receives a war pension or war widows pension

The current cost of this Council Tax Reduction scheme is £28.79m in 2017/18 with the spend broken down into the following areas.

Current spend figures	Numbers	Costs
CTR Pensioner scheme	13,971	£11,559,391
CTR Protected scheme – Single parents with children under 5 and war pensioners	2,821	£2,168,181
CTR Protected scheme – Disabled people with the severe or enhanced disability premium	8,406	£7,441,098
CTR Working age scheme - earning	4,175	£2,282,182
CTR Working age scheme – out of work	7,807	£5,340,809
Total spend	37,180	£28,791,661

ii. Reduce protection (a 10% scheme)

Retain the current scheme for all but the protected groups.

Revise the protection so that those protected pay at least 10% of their Council Tax Liability depending upon their actual income.

With 10% adjustment	Numbers	Costs
CTR Pensioner scheme	13,971	11,559,391
CTR Protected scheme – Single parents with children under 5 and war pensioners	2,821	1,951,362
CTR Protected scheme – Disabled people with the severe or enhanced disability premium	8,406	6,696,988
CTR Working age scheme - earning	4,175	2,282,182
CTR Working age scheme – out of work	7,807	5,340,809
Total spend	37,180	27,830,732

This revised Scheme would cost £27.83m compared to the existing scheme cost of £28.79m, a reduction in cost of approximately £960,000.

That 10% would equate to £2.04 per week for a couple in a Council Tax Band A property or £1.53 per week for a single person, rising to £2.39 and £1.79 for a Band B respectively.

iii. Remove the protection and have a standard 20% Council Tax Reduction working age scheme.

Retain the current scheme, but remove protection from the protected groups.

Standardise the Council Tax Reduction working age scheme all groups to pay at least 20% of their Council Tax Liability depending upon their actual income. Assumption is that the existing benefits scheme offers protection as it is means tested.

This revised Scheme would cost £26.87m compared to the existing scheme cost of £28.79m, a reduction in cost of approximately £1,920,000

Standardised 20% Scheme	Numbers	Costs
CTR Pensioner scheme	13,971	£11,559,391
CTR Protected scheme – Single parents with children under 5 and war pensioners	2,821	£1,734,544
CTR Protected scheme – Disabled people with the severe or enhanced disability premium	8,406	£5,952,878
CTR Working age scheme - earning	4,175	£2,282,182
CTR Working age scheme – out of work	7,807	£5,340,809
Total spend	37,180	£26,869,804

That 20% would equate to £4.08 per week for a couple in a Council Tax Band A property or £3.06 per week for a single person, rising to £4.77 and £3.57 for a Band B respectively.

iv. Complete redesign

Most billing authorities have based their reductions schemes upon the old Council Tax Benefit scheme. As further welfare reforms take effect it is very difficult to mirror changes in Housing Benefit and Universal Credit in order to preserve the old synergy.

Government are not restricted to making legislation changes once a year following a period of consultation and can make changes to the national benefit systems that council's simply can't respond to quickly in the local reduction scheme.

Other Councils have responded by developing a new reduction scheme for those receiving Universal Credit from 1st April 2017. Broadly speaking it simplifies the administration of the scheme by:-

- Ignoring the numbers and ages of any children in the household, and
- Ignoring any child related benefits that are received.
- Ignoring any changes in benefits income

The cost of awarding Council Tax Reduction under this scheme should reduce expenditure over time, but this is linked to the transition to Universal Credit (UC) for new recipients and retains the features of the existing scheme for existing recipients not on UC. A similar scheme in Kirklees would affect existing UC claimants from 1st April 2018 and new UC claimants thereafter. It is very difficult to predict the eventual saving because of the variables however translating projected savings calculations made by other another authority suggests that it could be in the order of £200,000 by 2022.

Anyone who was in one of the three protected groups will have more Council Tax to pay when they transfer onto Universal Credit.

Depending on the customer circumstances Universal Credit could be more than the benefits that Universal Credit will replace, this could mean that although you will have some Council Tax to pay, you may have more income overall to help you pay the Council Tax.

Pensioners are not affected as they cannot claim Universal Credit and will stay on the national Council tax Support Scheme.

War widows and war veterans could also be protected receiving either 100% or 90% of their Council Tax Support depending upon the decisions under I, ii, and iii above.

v. General Changes to Council Tax Reduction Scheme (CTR) required for all 4 options above.

Being in a position to recover Council Tax is extremely important. If the authority is having to reassess Council Tax and rebill individuals regularly as a result of benefit or wage changes then there is a big risk we will not be in a position to secure the debt in court to force payment, this is due to the statutory notice periods for issuing of documents in the Council Tax legislation.

The Government has introduced the Real Time Information (RTI) system, meaning that employers need to submit information to Her Majesty's Revenues and Customs, in real time, every time they pay an employee. It is expected therefore that many CTR recipients could have weekly adjustments to their income.

The Universal Credit system responds to changes in circumstances each month and so it is conceivable that many working age recipients will have an equivalent Council Tax change unless the scheme is simplified so that it doesn't respond to every change. We could for example:-

- ignore changes to a certain value or
- Aggregate these changes and make 3 month awards for CTR.
- Aggregate these changes and make 4 month awards for CTR.

This change would also require a change to the council IT systems.

It is proposed to include this option in the consultation process.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

Whilst the Local Government Finance Act 1992 requires each authority to devise a reduction scheme it does not specify the extent of any such reduction.

By providing a scheme that reduces liability to an affordable level, it prevents the need to take unnecessary and costly recovery action that would inevitably result in the courts finding that the debtor did not have the means to pay.

3.2 Economic Resilience (ER)

Setting aside a budget specifically to meet the Council tax liability of those that would otherwise be unable to pay, means that we have greater clarity as to the debt that we might reasonably collect. That it turn allows us to plan more accurately based upon expected revenue.

3.3 Improving Outcomes for Children

It is well known that very often children are the first to suffer the effects of low incomes and poverty. Means testing support for Council Tax allows us to target resources at those families in greatest need, with the potential to improve outcomes against the outcomes that might otherwise be expected.

It is worth noting that there are provisions within Section 13A(1)(c) of Local Government Finance Act that allow discretion to further reduce the Council Tax charge in cases of severe hardship the authority does have a policy in place to assist in appropriate cases.

3.4 Reducing demand of services

When the Government passed responsibility for Council tax support to Local Authorities in 2013 it came with a funding reduction of 10% and a requirement to maintain spending in relation to Pensioners. That effectively meant that those of working age shouldered the burden unless an authority could plug the gap.

The idea was that authorities would design schemes that incentivise work and by doing so reduce demand for the reduction itself. In reality there has been little reduction in demand but the incentive clearly remains.

It is worth noting that when a scheme is less generous, fewer people will qualify for support and so not only do the costs reduce but the numbers receiving support reduce also.

There is clearly a risk that if the level of support is insufficient then the demand for other services will increase particularly in the areas of debt advice, emergency/discretionary support and safeguarding.

It is worth noting that there are provisions within Section 13A(1)(c) of Local Government Finance Act that allow discretion to further reduce the Council Tax charge in cases of severe hardship the authority does have a policy in place to assist in appropriate cases.

3.5 Financial, Legal and Other Implications

The Financial implications are as set out in 2.4 above. The Legal implications are set out in section 2 above. The obligations relating to Equality Impact Assessments and consultation are referred to in the report and in this paragraph.

We will undertake a full Equality Impact assessment in relation to the proposed option following consultation.

It is worth noting that whilst those with disabilities are the only “protected characteristic group” specifically affected by options ii, and iii above, we do not provide the same protection to all people with disabilities, only those with circumstances that produce the enhanced and severe disability premium in the assessment are currently protected.

The protections were originally designed for lone parents with children under 5 and those with the severe and enhanced disability premiums in order to recognise an individual’s limited ability to respond to the implicit “work incentive”.

It is worth noting that there are provisions within Section 13A(1)(c) of Local Government Finance Act that allow discretion to further reduce the Council Tax charge in cases of severe hardship the authority does have a policy in place to assist in appropriate cases.

4. Consultees and their opinions

This report is designed to signal the intention to change the councils approach to providing a Council Tax Reduction Scheme. The next stage will be to undertake public consultation and bring back the outcome and proposed option before making a decision. The proposals for consultation are set out in Appendix A and members are asked to agree those proposals. Details of each scheme option will be developed to aid the consultation process.

It is also worth noting that the Police and Fire authorities will need to be consulted prior to any public consultation.

5. Next steps

- Design the detail of each scheme option
- Undertake a full Council Tax Reduction consultation process as outlined in Appendix A
- Contact the IT provider to look at what changes may be required for the options under the consultation.
- Further report to Cabinet and full Council following the consultation process.

6. Officer recommendations and reasons

1. For Cabinet to note the options and information in the report that details of the schemes will be developed prior to consultation to aid with that process.
2. For Cabinet to approve an 8-week Council Tax Reduction Scheme consultation process.
3. That the Service Director for Finance, IT & Transactional Services is given delegated responsibility to progress the consultation exercise and prepare the Council for any changes that may occur from the options proposed
4. Report on the outcome of the consultation exercise at a later Cabinet meeting

7. Cabinet portfolio holder recommendation

The Portfolio Holder notes the information within the report and supports the officer recommendations to:

- 7.1 Complete an 8-week consultation process as outlined in Appendix A.
- 7.2 Delegated responsibility be given to the Service Director for Finance, IT & Transactional Services to progress the consultation exercise and prepare the Council for any changes that may occur from the options proposed.
- 7.3 Report on the outcome of the consultation exercise at a later Cabinet meeting.

8. Contact officer

Steve Bird - Head of Welfare and Exchequer Services
Julian Hobson – Policy Officer

9. Background Papers and History of Decisions

Council decision 16th January 2013 that introduced the original scheme where the charge was 29% for those not protected.

Council decision 14th January 2015 that changed the charge to 20% for those not protected.

10. Service Director responsible

Debbie Hogg, Service Director for Finance, IT & Transactional Services

Council Tax Reduction (CTR) Scheme Consultation 2017 - Communications Strategy

APPENDIX A

Outline Consultation Process

1. Objectives

- Reasoning behind needed change
 - Change options and impact
 - Encourage consultation participation
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2. Audiences

- Elected Members (Cllr Graham Turner – Portfolio Lead)
 - Precepting authorities
 - Existing CTR claimants – protected groups
 - General public – random council tax payers including selection of those in receipt of CTR
 - Charity organisations
 - Council employees
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3. Key Message(s)

- Impact of proposed changes on local Council Tax Reduction scheme – case studies
 - Consultation participation methods and timescales
 - Outline of decision making process and implementation of revised scheme
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4. Tools and Activities

- **Letter**
Variation of letter to be sent to different audiences, signposting people to online consultation 'booklet' – www.kirklees.gov.uk/ctrconsultation
 - **Consultation 'booklet'**
Contains summary of changes, case studies and questionnaire – available primarily online and hard copy on request.
 - **Consultation booklet 'Easy Read'**
Use picture symbols – same questions as above.
 - **Online presence (and social media)**
Involve, consultation pages (www.kirkleestalk.org), adverts and posts
 - **Press**
Hard copy and online (www.kirkleestogether.co.uk)
 - **Internal (to council)**
Awareness of consultation to respond to enquiries/participate
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5. Resources

- Debbie Hogg – Director of Finance IT and Transactional Services – Project Assurance
 - Steve Bird – Head of Welfare and Exchequer Service - Project Manager
 - Julian Hobson – Policy Officer - Technical instruction and advice
 - Nicola Boothman - Research team
 - Helen Rodger - Communications/press office
 - Web development
 - Doc solutions
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6. Timescales / Key dates

- Initial Cabinet paper: 30 May 2017
- Portfolio update: As part of regular updates
- Consultation period: 8 weeks (expected Mon 12th June – Sun 6th August 2017)
- Analysis and reporting: 14-25 Aug 17
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- Summary feedback to Cabinet: Sep 2017
- Implement revised CTR scheme: 1 April 2018

7. Evaluation

- Number of consultation participants
 - Low numbers of queries/complaints
 - Coverage in press
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