

Subject:	Council Tax Reduction Review
Date of Meeting:	30th November 2017
Report of:	Executive Director, Finance & Resources
Contact Officer: Name:	John Francis
Email:	john.francis@brighton-hove.gov.uk
Ward(s) affected:	All

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The council is required to review the Council Tax Reduction (CTR) scheme once a year. This report sets out the findings of that review.

2. RECOMMENDATIONS:

That the Policy, Resources & Growth Committee:

- 2.1 Notes the review of the Council Tax Reduction scheme.
- 2.2 Notes that the calculative elements of the scheme will be uprated in line with national amounts. (These are the amounts used to work out CTR entitlements based on the number and age of people in the household and their circumstances)
- 2.3 Notes the latest forecast reductions in claimant numbers will meet the forecast cost of the scheme included in the integrated service and financial plans (ISFPs) for 2018/19.
- 2.4 Approves £150,000 funding for the discretionary fund in 2018/19; this would require one-off funding of £140,000.
- 2.5 Recommends the scheme to Full Council.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Since April 2013 the Government has prescribed that councils must have their own Council Tax Reduction schemes for people of working age. The scheme for people of pensionable age is set by national rules, protecting their entitlement so that it is equivalent to the level they would have received under the pre-2013 national Council Tax Benefit scheme.
- 3.2 In April 2013 when CTR was introduced there were a total of 27,809 claimant households, 10,421 of which were of pensionable age, and 17,388 were of working age. As at October 2017 the total number of CTR claims was 20,816 claimant households, 8,112 claims from people of pensionable age and 12,704 for people of working age.

3.3 As CTR does not provide for a full reduction of Council Tax liability in the majority of cases, individuals are responsible for paying the shortfall. The collection rate for people on CTR continues to be approximately 80% in year. Repayments are sometimes spread into future years, meaning that the collection rate improves over time. For people who have entitlement to CTR in 2017/18, the ultimate collection rate over a number of years is likely to be between 85 and 90%. The overall ultimate collection rate for Council Tax in 2017/18 is expected to be 99%.

3.4 When the scheme was introduced, the Government reduced the funding available to Councils by 10% compared to the amount paid under the previous national scheme. Since April 2014 the funding has been incorporated into the Revenue Support Grant and the Business Rates baseline, and so the funding available for CTR is proportionate to those revenue streams. The Revenue Support Grant income has reduced significantly since 2014 and will reduce further over the next two years.

3.5 In 2018/19, the shortfall between the cost of the current CTR scheme and the residual funding transferred is currently forecast to be £4.5million. This is an increase of £0.600million from 2017/18.

3.6 Since April 2013 the yearly shortfall, or subsidy, has increased from £1.4million to £4.5million.

3.7 In keeping with other councils responsible for CTR, the scheme in Brighton & Hove is an amended version of the old Council Tax Benefit scheme. The differences between the Council Tax Benefit and the current scheme are:

- Working people on CTR receive up to 80% discount on their Council Tax (instead of up to 100%)
- The maximum amount of capital a person may hold is £6,000 (reduced from £16,000)
- Second adult rebate has been ended (a feature of the old scheme that allowed for a discount in some cases instead of means-tested Council Tax Benefit);
- Adults who live in their parents' home are expected to contribute more towards the Council Tax
- There is a minimum award of £5 per week, so if a person's assessment is less than that, they do not qualify for any CTR;
- The taper rate has been changed from 20% to 25% (this is the amount of pence in the pound that we reduce entitlement by, if a claimant's income exceeds their assessed needs);
- The maximum band a claim will be based on is Council Tax band D
- The following can earn more before their earnings affect their benefit: single people, disabled people and carers.

A table setting out the CTR schemes of all local authorities is set out in Appendix 1.

3.8 As set out in 3.6, the council subsidises the scheme, and the amount of subsidy has increased year on year since April 2013. However, the changes in 3.7 have somewhat limited the increasing cost of that subsidy. The changes have also

resulted in a reduction of the level of individual awards made to claimants. The average weekly entitlement to CTR is £15.18 per week which is credited to the persons Council Tax account. This includes reductions in awards due to earnings and other income. The average amount of Council Tax payable due to the 80% maximum award is £4.11 per week per household.

Mitigations

- 3.9 To support people who are in receipt of CTR, the Revenues & Benefits service has a Debt Prevention team to help people pay their council tax before they fall into arrears. A discretionary fund has also been established to support people in exceptional circumstances as referred to in 2.4. Separate discretionary schemes are available to help people with housing costs and emergencies. These are administered alongside, advice and casework support. Finally budgeting and financial advice was provided initially through a dedicated contract and subsequently through the financial inclusion commission.

Considerations for 2018/19

- 3.10 Government support for Council Tax Reduction will reduce in 2017/18 meaning the council is forecast to increase the subsidy to the scheme by £0.600million.
- 3.11 The four year ISFPs include cost reduction measures to the Council Tax Reduction Scheme of £0.250m in 2018/19. However, there has been a greater decrease than expected in the number of cases claiming Council Tax Reduction. As a result, the £0.250m cost reduction is expected to be met without any further changes to the scheme for 2018/19.
- 3.12 Additionally the full version of Universal Credit is being rolled out in the City over the winter of 2017/18. Universal Credit is administered nationally. Universal Credit has been running as a trial in many areas of the country for some time, including a limited scheme within Brighton and Hove since December 2015. The council has been planning for the introduction of the Universal Credit in the city, so the CTR scheme already contains rules setting out how CTR will be calculated for those receiving Universal Credit.
- 3.13 Now that the rollout of Universal Credit is accelerating both in the city and nationally, there are a number of untested areas, for example:
- how well the interface between Universal Credit and CTR will work; and
 - how the calculative changes in Universal Credit will manifest over the full caseload, including its impact on behaviour, especially around incentivising employment.
- 3.14 The council is working closely with Jobcentre Plus to encourage and maintain take up of Council Tax Reduction. This is seen as particularly important because people will no longer claim CTR at the same time as they claim Housing Benefit as was the case prior to the introduction of Universal Credit.
- 3.15 Other councils have started to look at the fundamentals of their CTR schemes for working age people, given the context of Universal Credit. In keeping with most councils, the scheme in Brighton and Hove is based on the previous Council Tax

Benefit scheme. The change to Universal Credit may create the opportunity to create a simpler Council Tax Reduction scheme in future years and this will be kept under review.

Review of transitional protection

- 3.16 Transitional protection was introduced for the period of a year in April 2017. This meant that no one would pay more than £10 a week extra Council Tax due to the maximum available CTR being set at the amount for a band D property (£26.21 per week in 17/18).
- 3.17 A review of this transitional protection shows that 28 households have benefitted from this transitional protection with a total cost of approximately £4,500. Of those households, 7 were in a band G property, and 21 were in a band F.
- 3.18 The transitional protection will come to an end on 31st March 2018. Before this happens all households affected will be contacted and invited to apply for Discretionary Council Tax Reduction which would be applied from 1st April 2018 if the application is successful.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Government support for Council Tax Reduction is forecast to decrease. As such the council could consider changing the scheme to moderate the impact of this reduction. This would have the effect of reducing the support available to individuals and households through CTR.
- 4.2 The scheme can be designed so that recipients of Council Tax Reduction receive more help than at present. However, there would be a corresponding increase in cost and as such a corresponding budget cut would have to be made.
- 4.3 The continuing reduction of Council Tax Reduction caseloads means that savings requirements can be met with little or no impact on the current scheme. During this year and next, Universal Credit will be rolling out, creating uncertainty for individuals and families currently in receipt of Housing Benefit and Council Tax Reduction. It would be beneficial to have one area of stability, in the form of Council Tax Reduction, while broader changes to the welfare support system bed in.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Formal consultation on Council Tax Reduction is only required when there are proposed changes to the scheme. It is estimated the cost of full consultation to be between £15,000 and £20,000. Given that no changes have been proposed to the scheme for 2018/19, formal consultation has not been undertaken.
- 5.2 Officers maintain strong links with stakeholders in the city who are involved in working with and supporting people who are in receipt of welfare benefits. A regular six weekly meeting is held with these stakeholders which include advice agencies, the community and voluntary sector, registered social landlords, private landlords and Jobcentre Plus. Stakeholders are updated and asked to feedback on a broad range of issues including CTR policy.

6. CONCLUSION

- 6.1 The CTR scheme is one element of the welfare reform programme. Funding for the scheme provided to local authorities continues to decrease; in turn the subsidy required for the scheme is expected to increase to £4.5million in 2018/19.
- 6.2 The council needs to make savings of £13.4million for 2018/19.
- 6.3 The caseload for CTR has reduced since the scheme was introduced. The rate of decrease is now expected to continue in 2018/19. The four year integrated service and finance plan set out an expectation that the rate of increase in subsidy would be mitigated by a £0.250million reduction in costs of the scheme. The rate of decrease in the caseload is now expected to meet this expectation.
- 6.4 The rollout of the full service of Universal Credit is now underway in the city. This will mean a significant number of people in receipt of CTR will move onto Universal Credit during 2018/19. Some of those individuals and households will see the level of their income vary due to this, Changing the CTR scheme at this time would mean those individuals and households could face more than one change over this time.
- 6.5 For the reasons set out in 6.3 and 6.4 it is recommended that no substantive changes to the CTR scheme are made for 2018/19.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The CTR scheme for 2018/19 is planned to remain unchanged from the 2017/18 scheme however the change in the number of claimants and the planned council tax increase in 2018/19 will affect the overall cost of scheme.
- 7.2 The forecast subsidy the council will pay towards the CTR scheme in 2018/19 will increase to £4.500m from £3.900m in 2017/18.
- 7.3 The planned cost reductions to the scheme included within the Integrated Service and Financial Plan 2018/19 of £0.250million can be met from higher than projected reductions in the number of claimants and therefore does not require amendments to the scheme.
- 7.4 The estimated cost of the CTR scheme is reflected in the council tax base. The Council Tax base report to Policy, Resources and Growth Committee on the 25 January 2018 will reflect the 2018/19 scheme.
- 7.5 The planned discretionary fund substantive budget for 2018/19 will be supplemented with £0.140million one off resources to provide total resources for the fund of £0.150million. This allocation is included within the budget update report elsewhere on this agenda and will be treated as a commitment in setting the 2018/19 budget.

Finance Officer Consulted: James Hengeveld

Date: 01/11/17

Legal Implications:

- 7.6 Schedule 1A to the Local Government Finance Act 1992 regulates the making of, and revisions to, council tax reduction schemes. It requires that for each financial year, a billing authority such as the council, must consider whether to revise its scheme or replace it with another. Any revision must be made no later than 31 January in the financial year preceding that for which the revision is to have effect. This report satisfies the review obligation imposed in the schedule.

Lawyer Consulted: Liz Woodley

Date: 01/11/17

Equalities Implications:

- 7.7 An Equalities Impact Assessment for CTR exists and analysed changes made to the scheme since its inception and have been reported to Full Council when those changes have formed a part of the report.

Sustainability Implications:

- 7.8 None

Any Other Significant Implications:

- 7.9 None

SUPPORTING DOCUMENTATION

Appendices:

1. Table of Unitary Authorities Council Tax Reduction schemes

Documents in Members' Rooms

1. None

Background Documents

1. None