

Wiltshire Council

Council

24 February 2015

The Council Tax Reduction Scheme

Executive Summary

This report provides an update on the introduction of the CTR scheme which was introduced in April 2013. This report outlines the impact of the scheme, at the end of its first year in operation, specifically on collection rates in Wiltshire and in comparison with neighbouring authorities.

The scheme has been subject to the rigours of appeal and challenge and found to be both robust and fair in comparison to schemes operated by other authorities.

The report examines the impact of reducing the amount of council tax benefit, however the overall findings suggest current scheme is finely balanced with some households struggling to pay. Whilst overall collection rates have remained stable, it is apparent that more work is needed to assess the impact of debt on families and their ability to meet the cost of council services.

Best practice suggests that a discretionary fund is made available to support those most disadvantaged by welfare reforms but delivered in conjunction with other financial support and debt management. The process to award discretionary payments is set out in attachments to this report.

The report also highlights an anomaly in the administration of local council tax discounts concerning the treatment of empty homes and seeks to close this loophole.

In conclusion the report recommends the local council tax reduction schemes should remain unchanged for a further year, but augmented by the introduction of a discretionary fund to be used in conjunction with other schemes to support the most vulnerable. The sum of £200,000 has already been found in the budget to pay for this scheme. Cabinet at its meeting on 10 February 2015 considered and agreed the following proposals for recommendation to Council.

Proposals

That Council:

1. Confirms the £200,000 discretionary fund, in the budget is made available to support those households with multiple debts. The report is supplied with a policy, procedure and equality impact assessment to support the introduction of the new fund.
2. Agrees to close a loophole identified in the administration of the council tax charged on empty homes and to propose the minimum duration of six weeks a property must be occupied before another period of discount or exemption can apply
3. Agrees that in all other aspects the council scheme remains unchanged in 2015-16.
4. That work is carried out to identify and implement a more coordinated approach to managing debt that avoids duplication within the Council.
5. That key staff be trained and qualified to deliver financial support and personal budgeting.

Reason for Proposal

The local council tax reduction scheme is unique to Wiltshire and was introduced with a range of other welfare reforms. There is an obligation to review the scheme annually and to determine whether the changes justify public consultation. The proposals are based on the outcomes and findings from the first full year of operating the scheme and the research carried out on the impact of schemes in other local authorities.

Carolyn Godfrey
Corporate Director

The Council Tax Reduction Scheme

Purpose of Report

1. To provide an update on the introduction of the CTR scheme in the county (outlining the scheme, and providing some national context).
2. To set out the background and reasons for a discretionary council tax reduction fund
3. To demonstrate the impact of amending the CTR scheme for 2015-16.
4. To clarify the local discount in respect of empty property and determine the minimum period a property must be occupied before another discount or exemption can apply, being six weeks.

Relevance to the Council's Business Plan

5. The scheme supports the most vulnerable by awarding a 100% reduction to those receiving Disabled Living Allowance but offers work incentives to those who can. The scheme supports the plan which wants to see a reduction in those claiming benefit through economic growth and the creation of new jobs, thereby creating stronger and more resilient communities.

Main Considerations for the Council

6. CTR is a mechanism through which those on a low income are given a reduction in their council tax. There are two elements, one predominantly determined by legislation known as the statutory scheme for pensioners, and the other element, which this report concerns itself with, being the local scheme for those of working age. The extent of the support for working aged claimants being the significant issue.

7. When the scheme was originally introduced in April 2013 it was based on a caseload of 30,085 claimants. On 1st July 2014 29,082 households were entitled to a reduction. These household can be broken down into three groups. 13,327 were pensioners and were protected from any change. A further 5,237 working aged claimants were protected because they were considered to be vulnerable or unable to work which means any alteration in the scheme will affectively be borne by the remaining 10,518 working aged claimants. Careful consideration

was also given to the ability to pay the net bill, with efforts to keep a typical weekly charge to below £6.00

8. The cost of the scheme amounted to £24.8 million in 2013-14. The cost of the scheme in 2014-15 has fallen by £500,000 to £24.3 million, equating to an average award of £838.00 per claimant household, despite increases in precepts by the, Fire, Police and most town and parishes. The cost of the scheme is currently met through the settlement funding assessment paid by central government.

9. Whilst the number of properties subject to council tax has grown from 205,000 in April 2013 to the current number of 209,784, the number of recipients has fallen slightly since the scheme was introduced. Although the fall in claimant numbers is slight there is still a fall in the overall percentage of households claiming CTR, a fall in the actual number of people receiving CTR and a fall in the amount that has been awarded in 2014-15 in comparison to the year before.

10. Careful consideration was given to the scheme at its inception to meet the governments criteria, yet raise a council tax bill that was cost effective to collect and affordable, based on an average weekly charge of less than £6.00. Concern was shown for the impact any reduction in benefit would have on collection rates and the administrative difficulties managing more debts would have on the service. Considerable work has been done on this subject and further comparisons are shown below.

11. As well as introducing a local council tax scheme the council also introduced its own scheme regarding the treatment of empty property. It was agreed that property that was temporarily empty, between occupiers would be exempt for three months. It was also agreed that property undergoing refurbishment would be exempt for six months. It was not made explicit how long the minimum period of occupation should be before the property was entitled to another exemption. This scenario has been tested by a number of our customers since the scheme was introduced and it is a loophole that needs closing. Historically this period has always been six weeks and it is recommended this provision is incorporated into the local scheme from April 2015.

12. Table of collection Rates and CTR Schemes

The table below demonstrates the overall impact on our ability to collect council tax in comparison to other authorities since the changes to both the reduction scheme and changes to exemptions on empty property were introduced.

Authority	Collection Rate 2012-13 Pre CTR	Collection Rate 2013-14 Post CTR	CTR Scheme
Bath	99%	98.80%	max % liability for Working age 22%
Bournemouth	97%	96.40%	20%
Bracknell Forrest	97.60%	97.60%	8.50%
Cornwall UA	97.8%	97.1%	25%

Herefordshire	98.60%	98.40%		8.50%
Isle of Wight	97.80%	97.70%		8.50%
Milton Keynes	97.90%	97.50%		20%
Northumberland UA	97.7%	97.55		0%
Reading	97.10%	96.90%		15%
Shropshire	98.35	98.1%		0%
South Glos	98.30%	98.40%		20%
Swindon	97.90%	97.40%		20%
Wiltshire	97.80%	97.80%		20%

13. The analysis for 2013-14 reveals that of comparator authorities, only one, South Gloucestershire, managed to improve collection rates in comparison with the previous year. Only Wiltshire and Bracknell Forreest managed to maintain its rate, the remaining 7 authorities all seeing a fall.

- A) The table (at Para 12) indicates that those authorities who seemingly offer more generous schemes have still seen a fall in collection rate, however the table fails to include or acknowledge the possible impact of any increase in the council tax, nor do we have any information as to the impact of collection on those whose schemes are less generous in year two.
- B) The potential income that the council would have collected from those in receipt of CTR amounted to £7.3 million of which £1.6 million was outstanding at the end of the year, the majority owed by those of working age who are either in work or low income, or out of work. Those in receipt of CTR equate to 15% of all households in Wiltshire and the debt owed by the same cohort equates to 26% of the total arrears outstanding and due in respect of 2013-14 only. Of those entitled to council tax reduction 3200 or 20% of the working age caseload are currently subject to a court order and a payment plan. Whilst the number of households subject to highly complex debt issued is relatively small, often these cases involve multiple debts, including rent arrears due to the council which would suggest that further work is carried out to look at the management of debt across the organisation as a whole.
- C) Around 70% of those affected by the introduction of the under-occupancy charge (or bedroom tax) have also had to pay council tax for the first time. Around 2,000 households faced an increase in both their council tax and their rent. Although the numbers have fallen slightly since April 2013, 2,428 households have had their housing benefit reduced in Wiltshire because they were under-occupying their homes.

Since the introduction of the Council Tax Reduction Scheme in April 2013, the CTR caseload has reduced from 30,085 to 29,082 claims, as detailed below:

Month	Pensioners	Vulnerable	Working Age Employed	Working Age Other	Total
April 2013	13991	4991	3476	7627	30085
July 2013	13889	5056	3589	7397	29931
October 2013	13796	5161	3534	7175	29666
January 2014	13669	5241	3618	7126	29654
April 2014	13485	5269	3590	7025	29369
July 2014	13327	5237	3623	6895	29082

Projections:

In calculating the following figures, it is assumed that there are no changes to the scheme as it currently stands other than to the amount of the restriction applied to the Council Tax used in the calculation.

All applicable amounts, incomes, council tax charges, non-dependant deductions, tapers, capital limits etc have been based on the current 2014/15 scheme amounts. An increase in caseload has not been factored in.

a) No changes to current scheme

If no changes were made to the current scheme and the Working Age Other and Working Age Employed groups continued to be calculated based on a 20% restriction being applied to the Council Tax, the projected CTR expenditure for 2015-16 would be: **£23,946,867.33**. The table below explains the impact, expressed as a weekly charge.

b) Restriction increased to 30%

If the restriction applied was increased to 30% of the Council Tax, the projected CTR expenditure would be reduced to **£22,908,399.20**. (Saving of around £1.4m compared with current year's expenditure)

Copies of projection spreadsheets:



CTR projections.pdf

Within the Working Age Employed and Working Age Other groups, there are 10,518 claimants (as at July 2014) divided between the Council Tax Bands as detailed in the following table. This also shows how much each claimant would be expected to pay by band based on the 20% and 30% restrictions.

Council Tax Band	Working Age Employed	Working Age Other	Average Council Tax	Annual contribution at 20% restriction	Weekly amount	Annual contribution at 30% restriction	Weekly amount
A	628	2375	£1,018.33	£203.67	£3.92	£305.50	£5.87
B	1323	2476	£1,188.05	£237.61	£4.57	£356.42	£6.85
C	1186	1512	£1,357.77	£271.55	£5.22	£407.33	£7.83
D	310	361	£1,527.49	£305.50	£5.87	£458.25	£8.81
E	132	117	£1,866.93	£373.39	£7.18	£560.08	£10.77
F	39	43	£2,206.37	£441.27	£8.49	£661.91	£12.73
G	5	10	£2,545.82	£509.16	£9.79	£763.75	£14.69
H	0	1	£3,054.98	£611.00	£11.75	£916.49	£17.62

Implications of changing the scheme

14. The CTR scheme in Wiltshire appears to have succeeded in terms of reducing expenditure on the scheme, reducing the number of recipients and limiting the impact on the council to collect the council tax. However it can also be seen that the scheme is delicately balanced. Aspects of the scheme could be less generous however reducing the overall awards will have significant impact on a relatively small cohort who are already facing financial pressures from a number of welfare changes.
15. If the scheme were to change, in terms of any eligibility criteria or alteration to the scheme's parameters, which would impact upon the recipients levels of benefit, then the council must undertake a consultation exercise to explain the rationale behind any change and seek the opinion of its residents regarding the change.
16. During the initial consultation a proposal was made and accepted that a discretionary policy should be deployed to award additional CTR in cases of hardship. Subsequent case law and best practice has agreed with Wiltshire's stance and placed an onus on councils to develop a discretionary scheme in accordance with Regulation 13a of LGFA 1993 whereby councils should have a clear procedure for the discretionary reduction of council tax in addition to their CTR scheme. It has become evident that without such a scheme additional and targeted support cannot be given to those who are genuinely unable to pay the remainder of their bill.

Safeguarding Implications

17. None

Public Health Implications

18. None

Corporate Procurement Implications

19. None

Equalities Impact of the Proposal

An Equalities Impact Assessment has been prepared for the introduction of the discretionary council tax reduction, and this is attached at Appendix 4. In summary the key points are:

- In designing the both the council tax reduction scheme and the discretionary scheme every attempt has been made to minimize the effect of the reduced funding and to prevent discrimination against people who are disadvantaged, vulnerable or with protected characteristics
- Disabled people can find it much harder to secure employment than non – disabled people. The main scheme will continue to provide additional protection for disabled people from the 20% reduction in support.
- Whilst the main scheme has had a negative impact on those in work but on a low wage, the scheme will continue to provide an incentive for people to gain work by offering an enhanced earnings taper. (The local scheme disregards more earned income than the scheme it replaced)
- War pensioners and their widows will also receive protection from the 20% reduction in support.

Environmental and Climate Change Considerations

20. None

Risk Assessment

21. The provision of a discretionary fund will enable greater support and opportunity for engagement with those who are least able to pay their council tax. Without this fund there is no mechanism to engage with the debtor or manage down debt where there are a multiple debts owed to the council.

Risks that may arise if the proposed decision and related work is not taken

22. The relative success of the scheme in the first year of its operation has minimised any negative impact on the council. However the report highlights the risk of not providing a framework whereby council tax debt can be reduced at the discretion of officers who are increasingly involved in personal budgeting support and debt management.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

23. The purpose of the discretionary fund is for it to be used in conjunction with other national and local welfare benefits to manage down debt and treat debt owed to the council holistically.

Financial Implications

24. The cost of funding the discretionary scheme will be £200,000 per annum and this sum has already been identified in the budget.

Legal Implications

25. The council has always had the ability to waive or reduce council tax owed, under Section 13a of the Local Government Finance Act. This report set a limit on the amount that may be awarded under this scheme, each year.

Options Considered

26. The introduction of the local council tax reduction scheme meant the council faced a new set of risks, in terms of reputation and cost if the scheme did not cope with scrutiny, appeal, challenge and increased debt as a result of introducing a less generous scheme. The scheme has met these challenges and proven to be both robust and well designed. Whilst a small number of residents have been financially disadvantaged by the scheme, the overall impact upon the council has not been as significant as in other authorities. Based on these findings and experiences the options are to minimise the changes to the scheme until 2016-17. Changes will then be made to accommodate the impact of Universal Credit.

Conclusions

27. The local council tax reduction scheme is both well designed robust and in its current state affordable. It offers financial support to those least able to pay. The delivery of the local scheme has reduced the overall expenditure on council tax benefit yet the collection rate has remained stable. From the findings set out above it should be concluded that the scheme is fit for purpose. However the addition of a discretionary fund will add a further mechanism whereby council tax can be reduced in conjunction with other local discretionary schemes, financial support, debt management and direction to other welfare benefits.

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Background Papers

None

Appendices

Appendix A Report on Discretionary Council Tax Reductions

Appendix B Policy on Discretionary Council tax Reduction

Appendix C Equality Impact Assessment of Discretionary Council Tax
Reductions
