

Wiltshire Council

Council

21 February 2017

**Proposals to change the Council Tax Reduction (CTR) Scheme
(effective from April 2017)**

Executive Summary

Following government proposals to amend the national housing benefit regulations and having compared our current scheme with other authorities it was felt that the time was right to undertake a more in-depth review of the CTR scheme. Cabinet approved in December (see attached [Link](#) – Item 147) to seek agreement for six changes to the CTR scheme with effect from April 2017 which include:-

- Closer alignment of our CTR scheme with Housing Benefit and other national benefits.
- Address potential shortfalls in funding due to the continued reduction in Central Government grant income.
- Improve the administration process

The review process involved significant public consultation as set out in the Cabinet report.

The report evaluated the proposed changes, the results of the consultation process, the impact of introduction and made recommendations that now need to be agreed by the Council. The report also contained the estimated number of recipients' affected and financial impact, contained in Appendix 1 of the Cabinet report and an equality assessment at Appendix 2 and the results of the consultation process at Appendix 3.

This report forms part of the suite of reports to set the council's tax base for 2017-18.

Proposal

Council is asked to agree changes to the council tax reduction scheme as proposed by Cabinet in December 2016, to come into effect from April 2017.

Reason for Proposal

It is an annual requirement for the council to review its local Council Tax Reduction (CTR) scheme and make recommendations for change as required. Since its introduction in April 2013 the scheme has been 'refreshed' annually to take account of minor data changes, but the core elements have been retained. However in the last 18 months there have been some changes to the national housing benefit scheme and it was felt that without timely intervention the schemes would drift apart causing both administrative difficulties and confusion for the customer. With further reductions in funding it was felt that the scheme should also be reviewed in terms of its generosity, in comparison with other local authorities.

Carolyn Godfrey
Corporate Director

**Proposals to change the Council Tax Reduction (CTR) Scheme
(effective from April 2017)**

Purpose of Report

1. To seek agreement on proposals to make minor changes to the Council Tax Reduction Scheme (CTR) with effect from April 2017.

Relevance to the Council's Business Plan

2. The CTR scheme is a means tested benefit, available to low income households and supports the Council's business plan by offering financial support through the reduction of council tax. The award is made to people who own their own homes and who rent. It is a local benefit which works in conjunction with other national benefits, specifically housing benefit and therefore supports some of the most vulnerable in our communities.

Main Considerations for the Council

3. The Council Tax Reduction (CTR) scheme in Wiltshire is a means tested benefit that currently provides financial support to 27,000 households on a low income, at a current annual cost of £23.25 million. Entitlement results in a reduction in an applicant's Council Tax which is calculated on a daily basis. The current scheme replaced the national Council Tax Benefit scheme in April 2013. Until 2013 the scheme was fully funded by government. Funding from 2013 saw an overall reduction of 10%.
4. The CTR scheme for working age customers is a local scheme and varies in design between local authorities. Rules governing the scheme demand consultation on any significant change in the administration of the scheme adding a complexity to a process which is already subject to complex rules and regulations. For pension-age customers the scheme is set nationally by Central Government and prescribed by regulations, so cannot be varied locally. The proposed changes will affect non-pensioners only. With around 45% of the claimants being of pensionable age and therefore protected, any shortfall in funding is met by working age households.

Background

5. In designing its current scheme, the council conducted an extensive programme of consultation with its precepting authorities, key stakeholders and the public. The working age scheme adopted by the council in 2013 retained the main elements of the former Council Tax Benefit scheme with the following exceptions:
 - All working recipients unless classified as protected (see bullet point below) are required to pay at least 20% of their Council Tax liability.
 - Certain protected groups can receive up to 100% of their Council Tax. Protected groups include people in receipt of the Support Component of Employment Support Allowance (ESA) and all those who qualify for the disability premium or people in receipt of a war disablement pension, or in receipt of any of the war widows' or widowers' pensions
 - Capital savings limit of £10,000. – Protected groups limit of £16,000.
 - Fixed rate non dependant deduction – In households where there are working age children and relatives (non-dependants), a fixed rate deduction is made from the CTR award.
 - Enhanced income allowance (taper) to encourage work.
 - A vulnerability/hardship fund to provide additional financial help.

6. Retaining the core elements of the old Council Tax Benefit scheme albeit with the exceptions outlined above has preserved the means test in its current form, which provides both a robust mechanism for determining entitlement and both protection and work incentives that have been developed and honed over almost 30 years. Despite the introduction of the local scheme in 2013 council tax collections rates have remained stable and increased from 97.7% in 2014-15 to 97.9% in 2015-16.

Cost of Current Scheme

7. Since the start of the scheme in 2013/14 funding has been included within the Revenue Support grant. The council therefore decides how much funding is available to support the scheme taking into account any cuts in this funding.

8. The following table provides a summary of year on year expenditure and caseload:

	Total caseload @ 31 st March	Working age caseload	Pension age caseload	Working age expenditure	Pension age expenditure	Total annual expenditure
2013/14	29,497	15,980	13,517	£12,298,763	£12,528,712	£24,827,475
2014/15	28,237	15,373	12,864	£11,983,023	£11,898,254	£23,881,277
2015/16	27,078	14,033	12,181	£11,826,681	£11,165,961	£22,992,642
2016/17 forecast	26,499	14,621	11878	£12,156,794	£11,087,676	£23,244,470

9. As the above table illustrates the overall level of recipients, both working age and pension age, has fallen since the scheme was introduced. The slight increase in costs of the scheme in 2016-17 are as a result of rises in council tax, not caseload, and demonstrate the case for a review in terms of the generosity of the scheme when the council is still faced with a funding gap of at least £8.5m due to further reductions in Revenue Support Grant.

Proposals for Change

10. In view of the financial pressures, to synchronise the scheme in line with other welfare changes and better fit with the national picture the proposals to change the scheme were the subject of an extensive programme of public consultation.
11. The potential changes to the scheme upon which the consultation took place are:
- Removing the Family Premium for all new working age applicants. *(which brings the CTR scheme in line with changes to the housing benefit regulations)*
 - Backdating claims for up to one month where appropriate. *(Currently there is no ability to backdate, so this proposal brings the CTR scheme in line with changes to the housing benefit regulations)*
 - Limiting the number of dependent children within the calculation for Council Tax Reduction to a maximum of 2. *(Which brings the CTR scheme in line with proposed changes to the housing benefit regulations)*
 - Bringing the capital limit for 'Protected' people in line with all other working age applicants by reducing it from £16,000 to £10,000.
 - Restricting the working age protected category.
 - No change to the amount of Council Tax Reduction an applicant receives if the amount they are entitled to changes by a pound or less.

12. The results of the consultation have been fully evaluated alongside necessary Equality Assessment and risk assessments. There has been unilateral / unequivocal support for every proposal made. The financial impact of the changes is shown at Appendix 1 of the Cabinet report which also provides a commentary on each of the above proposals together with the number of claims likely to be affected. Likewise the Equality Assessment is provided at Appendix 2 and the results of the consultation process are shown at Appendix 3 of the Cabinet report. Comparisons with other local authorities are shown at Appendix 4.

Overview and Scrutiny Engagement

13. None.

Safeguarding Implications

14. None

Public Health Implications

15. None

Procurement Implications

16. None

Equalities Impact of the Proposal

17. The strategy recognises both the need for equality assessments in establishing the rules of a council tax reduction scheme. By its very nature the scheme is aimed at those on a low income who are liable for council tax. Whilst the report proposes changes to the current scheme that will provide both gains and losses it is felt that the most controversial change is the withdrawal of the up to 100% reduction for those in receipt of the support component of ESA. However the proposal to reduce this to a maximum of 80% brings a consistency of award to all those in receipt of passported welfare benefits (those on Job Seekers Allowance and Income Support). Those who receive ESA in conjunction with Disability Living Allowance, (DLA) and its replacement, Personal Independence Payments (PIP) will continue to receive up to 100% council tax reduction. It also brings our treatment of those on ESA in line with neighbouring authorities in Swindon, Bath and South Gloucester.

Environmental and Climate Change Considerations

18. None

Risk Assessment

19. There is a risk that making the scheme less generous may make the challenge of collecting council tax from some household onerous. However the discretionary aspects of the scheme mean that the Revenues and Benefits Service has a number of options available to support those least able to cope with the challenges presented by a council tax bill.
20. The risk of not making changes now is also too great and this opportunity must be taken to bring the local council tax scheme in line with the national housing benefit scheme.

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

21. Failing to keep the local CTR scheme in line with the latest approaches to the delivery of housing benefit involves a number of risks:
 - The first being the complexity of administering schemes with different rules, and explaining these to our customers
 - Secondly justifying our position if we chose not to introduce current thinking or legislation at an appeal tribunal where disputes over entitlement are settled and
 - Thirdly offering a scheme that is overly generous at a time when the council as a whole is least able to afford it.

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

22. There is a risk that non-payment may increase; however since the local council tax reduction was introduced there is no evidence to suggest that overall indebtedness to the council has increased. The discretionary council tax reduction scheme, which is a cash limited fund, provides an opportunity to reduce a council tax debt in conjunction with means testing, where a debt has become unmanageable or where the individual is known to have a number of debts with the authority.

Financial Implications

23. This proposal will, if accepted, provide savings in terms of the overall cost of the council tax reduction scheme. It is difficult to determine savings with any precision because they are based on the treatment of new claims from April 2017 and the level of churn as people leave and join the scheme. Based on the figures reported to Cabinet savings could feasibly amount to £250,000 per annum; however due to the level of uncertainty in terms of the claims affected the tax base has not been adjusted to reflect any savings, but will be included in next year's calculation.

Legal Implications

24. The council have a duty to operate a council tax reduction scheme. Since 2013 the onus has been placed on every local authority to not only design and publish a scheme but also to maintain the scheme in conjunction with other national welfare benefits. The proposed changes which historically would have been instigated by an instruction from Government are now made more complex. The challenge for the authority is not so much that the proposals have significant legal implications, on the contrary, the proposals bring the administration of housing benefit closer, the implications are whether the change mechanism has been correctly followed. The production of this report and the consultation process ensures that all legal implications have been mitigated.

Options Considered

25. Various options were considered in the full Cabinet report.

Conclusions

26. To agree the proposals.

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Background Papers

None

Reference Document

[Cabinet report – 13 December 2016](#) (item 147)