

TO: EXECUTIVE
27 SEPTEMBER 2016

**LOCAL COUNCIL TAX DISCOUNT SCHEME (LCTDS)
Director of Adult Social Care, Health and Housing**

1 PURPOSE OF REPORT

- 1.1 To seek Executive consideration of a new model of the Local Council Tax Benefit Scheme (LCTBS) and as such to agree consultation on the new scheme

2 RECOMMENDATIONS

That the Executive agrees:

- 2.1 **To develop a new LCTDS for working age households which provides a discount on a household's Council Tax based on household income, rather than an assessment of needs.**
- 2.2 **That subject to agreement to the new model a consultation programme takes place so as to inform the LCTDS to be implemented for 2017/18.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The Council established its Local Council Tax Benefit / Reduction Scheme in 2013/14. In 2015/16 the Council introduced a revision of the Council Tax Discount Scheme but the scheme still reflected the previous national Council Tax Benefit Scheme. The Council's Annual Plan 2015-2019 has set the aim, **"In targeting our services, we will prioritise people and areas with the greatest need, early help and prevention so struggling or vulnerable people can maximise their opportunities to become independent"**. The proposed new Local Council Tax Discount Scheme targets financial support to those who most need it whilst encouraging and rewarding employment and households increasing their earnings as well as simplifying administration.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 It could be decided not to review the LCTDS. However, that would miss the opportunity to support the Council's Annual Plan in targeting the Council's resources to those most in need and encouraging independence and incentivising households seeking better paid employment or income whilst at the same time reducing administration costs of the scheme for the Council.

5 SUPPORTING INFORMATION

- 5.1 The Welfare Reform Act 2012 abolished the national Council Tax Benefit Scheme thus paving the way for localised schemes. The Local Government Finance Act 2012 makes provision for the localisation of Council Tax Support in England by imposing a duty on all billing authorities to make a localised Council Tax Reduction Scheme by the 31 January 2013 and to consult with major precepting authorities and such other persons as it considers likely to have an interest in the scheme about the scheme. The Local Government Finance Act prescribes certain classes or groups who must

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receive reductions. This includes classes of eligible pensioners based on the same factors that have determined pensioner eligibility and award under the Council Tax Benefit System. The proposals contained in this report refer to the local scheme that will affect working age households.

5.2 The following table sets out the budget for the LCTBS in 2016/17:

Precepting authority	£'s
Bracknell Forest Borough Council	3,354,669
Thames Valley Police Authority	492,348
Thames Valley Fire Authority	180,670
Parish Councils	216,960
Total	4,244,647

5.3 Any change in the scheme will lead to less or more reductions in Council Tax liability for customers and as such will either reduce or increase the costs of the scheme. The reductions in the costs of the scheme will accrue proportionately to the precepting authorities. For example Bracknell Forest Council provides £ 3,354,669 to the total scheme value of £4,244,647 which equates to 79%. Therefore, any reduction to the cost of the scheme will accrue to the Council on that basis. The same approach will apply to any decisions that will result in increased support and thus increased expenditure.

Proposed changes to scheme

5.4 The following proposals and consequential financial impact is based on modelling the LCTDS caseload as at August 2015. As this is a snapshot of the impact of any changes reflecting the circumstances of customers at the time the changes are implemented. It does not take into account any increase in Council Tax in future years. The Council has to operate a nationally prescribed scheme for pensioners and has no option but to fund any increase in the scheme resulting from an increased Council Tax. For example based on the August 2016 pensioner caseload a 4% increase in Council Tax would lead to a £95,516 increase in the costs of the Local Council Tax Scheme.

5.5 Although the Council has introduced some changes to its Local Council Tax Discount Scheme since 2012 the essence of the scheme is the same as that original national Council Tax Benefit Scheme. Each household has an applicable amount of income they should receive which is the minimum the Government thinks they should have to live on based on their circumstances. If their income equates to that amount they receive a 80% discount on their Council Tax and if their income exceeds their applicable amount then the discount is reduced by 21 pence in the pound until they no longer receive a discount. For example a household of two adults and one child would have an applicable amount of £199.20 per week. If they received income of £250 and their weekly Council Tax liability was £25 they would receive £14.33 Council Tax discount ($£250 - £199.20 = £50.80 \times 0.21 = £10.67$, Council Tax of £25 minus £10.67 = £14.33. It can be argued that this scheme does not incentivise a household increasing their income as for each extra £1 they earn they lose 21 pence in Council Tax discount.

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5.6. The proposed scheme moves away from using an applicable amount reflecting household needs to placing household income into a pre-determined band which will generate a discount on the household Council Tax liability. Thus there is an incentive for a household to increase their household income within the band as they will not lose any of their Council Tax discount. In terms of administration of the scheme it will be easier to explain to households the discount they will be entitled to based on their household income and also households will only receive one Council Tax demand and no revised bills as long as their income remains within the income band. The new scheme aims to incentivise households to increase their household income. However, there are some households who are disabled or who have a disabled member in the household and therefore are not able to work and increase their income and so it is necessary to protect that group and provide them with the highest current discount on their council tax which is 80%.

5.7. The following table sets out the proposed structure of the new scheme.

Band	Discount on Council Tax	Household income band £ per week	Households who would receive higher discount compared to current scheme	Households who would receive lower discount compared to the current scheme
A(household in receipt of disability premium, sever disability premium and enhanced disability premium	80%		48	
1	75	0-80*	4	908
2	70	80-140	61	61
3	60	140-200	46	115
4	50	200-260	81	125
5	40	260-320	61	81
6	30	320-380	28	54
7	20	380-440	11	41
Households no longer receiving a discount				44
Total			340	1429

Band 1 reflects those households who are in receipt of an out of work benefit such as Job Seekers Allowance (JSA), Employment Support Allowance (ESA) or Universal Credit. Thus, their income is based on an assessment of need but the remaining bands reflect households earned income from work minus disregards.

5.8 The calculation of household income remains the same as the current scheme except that carers allowance has been disregarded at £62.10 a week. This disregard of Carers Allowance has been brought in as part of national welfare reform and reflects the fact that households in receipt of carers allowance may have less ability to earn income due to caring responsibility which requires them to care for someone for 35 hours a week.

5.9 Although there are significantly more households who lose discount under the proposed scheme that does not take into account the ability for a household to earn more income without losing discount compared to the old scheme. For example a

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a couple working with three children with an income of £326 a week taken into account under the schemes would have received a discount of £19.75 a week under the old scheme yet would receive a discount of £7.40 under the new scheme as they would be in band 6. However, under the old scheme if the household increased their income by £25.98 a week they would have lost all their discount but in the new scheme they keep the discount of £ 7.40 a week until their income takes them into band 7 by increasing by £54 a week or more. The following table provides some examples of case studies based on the old and new scheme.

Household	Current CTax payment after LCTBS current scheme £ per week	Total income £ per week taken into account for income band after disregarded income	Proposed Income Band	Maximum proposed CTR % of liability	New CTax payment £ per week	+/- Change £ per week from current scheme
All Council Tax liability based on band C liability of £1,283.99 a year						
Single person disabled working and in receipt of disability living allowance. (entitled to a disability premium)	3.69	104.25	A	80%	3.69	0.00
Lone parent receiving Income Support	3.69	244.08	1	75%	4.62	+0.93
Single person working	8.78	97.36	2	70%	5.54	-3.24
Couple working with one child	4.92	131.26	2	70%	7.39	+2.47
Couple working	12.03	148.68	3	60%	9.85	-2.18
Couple working with one child	10.58	202.67	4	50%	12.31	+1.73
Couple working with two children	15.48	316.40	5	40%	14.77	-0.71
Lone parent working receiving £50 a week child maintenance	10.24	279.01	5	40%	11.08	+0.84
Couple working with three children	4.92	326.61	6	30%	17.23	+12.31

- 5.10 If following consultation the Council is minded to adopt the new scheme it will reduce expenditure on Council Tax discounts by £106,321 a year based on the August 2016 caseload and incomes.
- 5.11 There will be reduced administration costs generated from the new scheme in that there will be reduction in Council Tax bills being generated when there is change in household income as long as they remain in the same income band. However, to date the Council's discount scheme has mirrored the previous national benefit

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scheme and the majority of Council's have adopted such schemes administered via the Northgate software system. As the Council's scheme becomes unique it will be reliant on the software provider to write bespoke changes to the system rather than sharing costs with Council's who run similar systems. The proposed changes to the system can be contained within existing budgets in 2016/17.

- 5.12 The Council provides a hardship scheme to provide financial assistance for households to help them pay their Council tax if they are faced with an increased liability that was unforeseen due to a change in circumstances or if the scheme changes take them out of the discount scheme.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The Council is required under Schedule 1A of the Local Government Finance Act 1992 to consider each year whether to revise its Council Tax Reduction Scheme. Where it chooses to so do it must, before making a scheme:

- Consult any major precepting Authority which has the power to issue a precept to it
- Publish a draft scheme in such manner as it thinks fit; and
- Consult with such other persons as it considers are likely to have an interest in the operation of the scheme.

Such consultation should:

- Be at a time when the proposals are still at a formative stage
- Provide sufficient reasons for any proposal to permit intelligent consideration
- Provide sufficient time for consideration and response
- Ensure that the product of the process is conscientiously taken into account in finalising any statutory proposals.

Any revision to its scheme, or any replacement scheme must be made no later than 31 January 2017.

Borough Treasurer

- 6.2 The relevant financial provisions are contained within the report.

Chief Officer: Customer Services

- 6.3 Whilst it is not expected that there will be a large increase in the net collectible Council Tax debit as a result of changes to the scheme, it could mean that a large number of households, who may already be struggling to meet their liabilities, will receive a reduction in the level of support that they receive. As such these debts are likely to be challenging and resource intensive to collect. It is expected that any reduction in the number of Council Tax bills that are issued will result in a negligible saving.

However, it is positive to see a simplified scheme that may incentivise households to increase their income without the fear of a large loss in support. A scheme with this

kind of design will also allow for a simpler and more streamlined administration process.

Equalities Impact Assessment

- 6.4 A full equalities impact assessment will be undertaken following consultation results.

Strategic Risk Management Issues

- 6.5 It will be necessary for the Council to undertake consultation to ensure the impact of any proposed changes has been considered by the affected groups and that the Council takes into account the views of those affected before making any changes to the scheme.
- 6.6 The proposals identify the reduced cost of the LCTBS but when customers receive less support they will be required to pay the resulting Council Tax liability. The Council's ability to collect the liability will determine the ultimate total cost of the scheme when changes have been made.

7 CONSULTATION

Principal Groups Consulted

- 7.1 The purpose of this report is to seek authority to consult on a range of proposals to review the current LCTBS. Consultation will take place with the following groups:

Precepting authorities
Thames Valley Police
Berkshire Fire and rescue services
Bracknell Town Council
Binfield Parish Council
Warfield Parish Council
Winkfield Parish Council
Crowthorne Parish Council
Sandhurst Town Council

Consultation will take place with customers of the LCTBS
Consultation will take place with the wider community and interested groups such as Citizens Advice Bureau

Method of Consultation

- 7.2 Consultation will take place via meetings, correspondence and the Council's consultation on line portal.

Background Papers

Reports from Northgate modelling software.

Contact for further information

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