

TO: THE EXECUTIVE  
13 DECEMBER 2016

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

**1 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to seek Executive consideration to introduce a Council Tax Discount Scheme for working age households and to refer their decision to full Council for adoption.

**2 RECOMMENDATIONS**

- 2.1 That the Local Council Tax Discount Scheme for working age households be introduced based on the following elements:
1. That all working age household income will be calculated on the same basis as the previous Local Council Tax Reduction Scheme for the purposes of establishing the discount except that for self employed households the national living wage will be used rather than the national minimum wage.
  2. That Carers Allowance will be disregarded when calculating household income.
  3. That those working age households where the claimant or partner are receiving a disability benefit are placed into Band 1 and receive an 80% discount unless their household income is greater than £440 a week when they will not receive a discount at all.
  4. That 8 income bands are established with corresponding discounts as follows:

<b>Band</b>	<b>Discount on Council Tax</b>	<b>Household income band £ per week</b>
1- household in receipt of disability premium, severe disability premium and enhanced disability premium	80%	
2	75	0-80
3	70	80.01-140
4	60	140.01-200
5	50	200.01-260
6	40	260.01-320
7	30	320.01-380
8	20	380.01-440

**2.2 That Council be RECOMMENDED:**

- 1. To adopt the Local Council Tax Discount Scheme and the Local Council Tax Discount Summary Scheme, Appendix A.**
- 2. To delegate the operation of the Local Council Tax Discount Scheme to the Director of Adult Social Care, Health & Housing.**

**2.3 The detailed scheme operation is to be delegated to the Director of Adult Social Care, Health and Housing to finalise.**

**2.4 The Local Council Tax Discount Scheme is referred to Council on the 18<sup>th</sup> January 2017 for adoption.**

**2.5 That the Local Council Tax Discount Scheme will be reviewed on an annual basis.**

**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 Local Council Tax Discount Scheme. 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. From the consultation responses it was found that 55% of respondent thought it was right to balance the amount spent on the discount scheme with what is spent on other services. Hence the recommendations in this report.

**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 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 Local Council Tax Discount Scheme in 2016/17:

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

- 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 Local Council Tax Discount Scheme caseload as at 18<sup>th</sup> October 2016. As this is a snapshot the impact of any changes reflecting the circumstances of customers at the time the modelling was undertaken not at point of implementation. 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 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 an 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.
- 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

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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 limited in their ability 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 and the number of households who will be affected.

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
1( household in receipt of disability premium, sever disability premium and enhanced disability premium	80%		41	
2	75	0-80	9	896
3	70	80.01-140	58	73
4	60	140.01-200	56	107
5	50	200.01-260	70	102
6	40	260.01-320	46	62
7	30	320.01-380	22	45
8	20	380.01-440	5	32
Households no longer receiving a discount				34
Total			266	1351

Band 2 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. If there is a change in their circumstances they will move into the other bands. During the year those households will be advised of their total income that will be taken into account in the 2018/19 year which will determine their band and discount if they do not experience a change in circumstance due to securing paid employment. Thus, their income is based on an assessment of need in the first year until they are placed in the relevant band due to income calculation but the remaining bands reflect households earned income from work minus disregards. Those households received an 80% discount under the old scheme and so the proposed scheme means they will be required to pay 5% more of their Council Tax.

- 5.8 Households with income over £440.01 a week and above will no longer receive a discount.

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- 5.9 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. In addition when calculating self employed household income the national living wage rates will be used rather than national minimum wage which was the previous national standard. Households who are in receipt of Universal Credit will automatically be entitled to hardship payments as the Universal Credit payment will include their housing costs thus indicating a level of income which would mean they are unlikely to receive a Council Tax discount. As their housing costs in Universal Credit are the equivalent of housing benefit it would not be fair to include that element of Universal Credit to calculate household income unless those households not on Universal Credit has their housing benefit included in household income as well.. The fact that Universal Credit income is provided as a digital feed from the DWP into the Council benefit system means that this can only be rectified retrospectively and manually by the Council.
- 5.10 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 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 the impact of the proposed 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

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Household  All Council Tax liability based on band C liability of £1,283.99 a year	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
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

5.11 The consultation on the proposed scheme found the following responses:

<b>Proposal / Question</b>		<b>Fair %</b>	<b>Neither Fair nor Unfair %</b>	<b>Unfair %</b>
<b>Income and Banding</b>				
	Balance the amount spent on Council Tax Discount with what is spent on other services	50.27	16.18	27.93
<b>2</b>	Seven Income Bands with 10% difference between each band	50.27	16.18	27.93
<b>3</b>	Scheme based on net income of claimant and partner	46.35	12.64	37.19
<b>4</b>	Maximum discount for disabled vulnerable groups	78.57	9.34	10.45
<b>5</b>	Discount is retained providing income remains within the banding group	67.95	14.36	10.44
<b>6</b>	Households with passported benefits remain in the band for the first year until benefits are re-assessed or person moves to Universal Credit	46.15	17.04	20.34

5.12 The modelling of the proposed new scheme suggested the cost of the scheme will reduce by £83,469. As the Council's contribution of the cost of the scheme is 79% the saving in the costs of the scheme accruing to the Council is £65,940.

## **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 An Equality Impact Assessment is included as Appendix B. Overall there was no significant objections to the proposals from any protected group. The Council has a Hardship Fund of £20,000 a year to help households who face financial hardship through changes in circumstances which they could not foresee or due to changes in schemes. The hardship fund will be proactively targeted at those households facing the largest increase in their Council tax liability. Full copy of the consultation responses by protected groups are placed in the Group rooms.

### Strategic Risk Management Issues

- 6.5 There are a number of strategic risk management issues facing the Council.

There is the risk that the changes in the scheme will lead to customers facing financial hardship and struggling to pay their revised council tax liability. The Council's Hardship Scheme can help mitigate that risk.

If arrears increase that may place additional strain on Council resources to achieve collection.

## **7 CONSULTATION**

### Principal Groups Consulted

- 7.1 Parish Councils and major precept authorities Berkshire Fire and Rescue and Thames Valley Police were consulted. The Citizens Advice Bureau was consulted as well as all major affordable housing providers.
- 7.2 All working age existing Council Tax Reduction Scheme customers were directly written to advising them of the proposed changes. The proposals were available on the Council's consultation portal for nine weeks. Social media was used to encourage the wider community as well as existing scheme customers to respond to the consultation.
- 7.3 The eight largest providers of affordable housing in the Borough were written to seeking their views.

### Representations Received

- 7.4 Crowthorne Parish Council supported the proposals. Bracknell Town Council did not raise any concerns, Binfield Parish Council had no comments they wished to raise and neither did Thames Valley Police have any comments.
- 7.5 Bracknell Forest Homes provided a response to the consultation which is included at Appendix C. Radian housing group were supportive of a scheme model that incentivised increasing income.
- 7.6 There were 217 responses via the Council's consultation portal as of the 29<sup>th</sup> November. This provided a full eight week consultation period. A full Equality Impact Assessment is included as Appendix B. In addition copies of all the responses and comments in Group rooms.
- 7.8 Respondents were given opportunity in the survey to add any comments relevant to the consultation. Comments were received to this question and then grouped into themes.



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The following table sets out the main themes:

Type of comment	Number	% of Respondents	% of Comments
General Support	12	14.81	7.6
General Disagreement	22	27.16	13.92
Encourages People to Live on Benefits	9	11.11	5.70
Penalises those who Work / Should Provide Incentive to Work	21	25.93	13.29
Penalises Poorer Households	11	13.58	5.70
Support discounts for People with Severe disabilities / Pensioners/Carers/Single People	20	24.69	12.66
Not clear about how it will work/ Want more Evidence	9	6.17	5.70
Other	53	65.43	33.55

The most frequent comments were related to dis-incentivising those who work and rewarding those who do not. The range of other comments included comments relating to increasing the Council Tax levels for the wealthiest or increasing the number of Council Tax bands at the upper end to raise additional revenue.

Some people wanted evidence that the changes would not cost the council more to administer than the current system

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