

**TO: THE EXECUTIVE
15 DECEMBER 2015**

**LOCAL COUNCIL TAX REDUCTION (BENEFIT) SCHEME (LCTRS)
Director of Adult Social Care, Health and Housing
and Borough Treasurer**

1 PURPOSE OF REPORT

- 1.1. The purpose of this report is to seek Executive consideration to changing elements of the Councils local Council Tax Reductions Scheme and to refer their decision to full Council for adoption.

2 RECOMMENDATIONS

- 2.1 That the Executive agree to make the following changes to the Council's Local Council Tax Benefit Scheme:**
- 2.1.1 That all working age households will pay at least 20% of their Council Tax liability, the maximum discount will be 80% of Council Tax liability.**
- 2.1.2 That for working age household's child maintenance payments are taken into account when assessing income to calculate the Local Council Tax reduction.**
- 2.1.3 That when calculating income for working age self employed people it will be assumed that after 12 months the self employed person is earning national living wage.**
- 2.1.4 That all the income disregards for working people will be increased by £5 a week.**
- 2.1.5 That the hardship fund is increased to £20,000 and the criteria for support is amended to include those who had received a reduction in the previous twelve months and face financial hardship due to the proposed changes.**
- 2.1.6 As a consequence of the above recommendations the Local Council Tax Benefit Summary Scheme at Appendix A is agreed.**
- 2.1.7 The detailed scheme operation is to be delegated to the Director of Adult Social Care, Health and Housing to finalise.**
- 2.1.8 The Local Council Tax Benefit Scheme is referred to Council on the 20th January for adoption.**
- 2.1.9 That the Local Council Tax Benefit Scheme will be reviewed on an annual basis.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations in this report support the Council's 2015 – 2019 plan and specifically the objective to achieve value for money. The objective is measured by the Council charging appropriately for services and seeking opportunities to generate additional income.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1. The Council could continue with the existing Local Council Tax Reduction Scheme. However, there are a number of reasons why continuing with the existing scheme has been discounted. Firstly, there are anomalies in the existing scheme in terms of income calculations. As explained below it is considered unfair that household receiving child maintenance has that income ignored when calculating the Council Tax discount. Secondly, there is evidence that some households may be under stating their earned income when self employed. Nevertheless, the Council wishes to incentivise work and to that end it is offering additional disregard of earned income. Lastly, in the context of the Council's reduced spending capacity over the next four years it is necessary to require customers of the scheme to pay more towards their council tax thus reducing the cost of the scheme.
- 4.2. As part of the consultation process respondents were asked whether they thought the Council should balance the amount spent on the Local Council Tax benefit compared to what it spends on other services. The responses found that 41% agreed that there should be a balance between the amount spent on the Local Council tax reduction scheme and what the Council spends on other services. The Supreme Court decision October 2014 concerning Haringey Borough Council found that they failed to recognise the other options available to the Council in funding their council tax reduction scheme other than introducing changes that reduced the support that the scheme provided. Although, some of the recommended changes to the scheme in this report will reduce household's council tax reduction some aim at addressing existing anomalies in the scheme.

5 SUPPORTING INFORMATION

- 5.1 The following table sets out the estimated spend on the Council Tax reductions scheme in 2015/16. On average 55% of the reductions are for working age households and 45% for pensioner households.

		£'000
CTB Forecast 2015/16		4,430
Bracknell Forest Council		3,451
Precepting Authorities		979

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- 5.2 The current Local Council Tax Reduction Scheme operates based on the following main elements:
- Out of work working age households have their Council Tax liability reduced to 8.5%;
 - Working households income above the relevant applicable amount(basic needs allowance) is reduced at 21%;
 - Backdating of claims is limited to 3 months.
- 5.3 The proposed changes to the scheme have been subject to 12 weeks consultation following the Executive decision on the 21st July. Consultation responses are discussed later in the report. The exemplification of the impact of the proposed changes as discussed on the 21st July is included as Appendix B. The following proposals and estimated impact are based on modelling the Local Council Tax Reduction Scheme and caseload as of the end of October 2015. This is a snapshot of the scheme and could change in the light of household circumstances changing and any changes to national welfare provision in 2016/17 that will affect household income. In addition it is based on the current Council Tax liabilities.

Maximum 80% discount of Council Tax liability

- 5.4. It is recommended to reduce the current 91.5% discount available for out of work customers to an 80% discount for all customers of the Council Tax Reduction Scheme. That will mean that all households will pay at least 20% of their Council Tax liability and for those with earned income above their applicable amount the level of their Council Tax that they pay will be still higher. Based on current scheme expenditure this will reduce the cost of the scheme by £232,412 a year (Bracknell Forest Borough Council reduction is £182,700). This proposal will lead to 21 households losing their entire current discount on their Council Tax liability.

No longer disregard child maintenance when calculating household income

- 5.5 At present households with children who receive child maintenance from a partner do not have that maintenance included in household income when calculating their Council Tax discount. This leads to households who do not have maintenance income receiving the same discount despite the fact that they enjoy less household income. This proposal will reduce expenditure on the Local Council tax reduction scheme by £46,679 (Bracknell Forest Borough Council reduction is £36,759) and will lead to 83 households losing their entire current discount on their Council Tax liability.

Assessing self employed income at national living wage levels

- 5.6 A number of customers for the LCTBS are self employed yet their income is stated as being below the national living wage for the hours they work. Whilst this may be understandable when someone starts work on a self employed basis over time it is only to be expected that they would want to receive at least the national minimum wage for their work or otherwise they would seek alternative employment. Thus it is recommended that those customers of the scheme who have been self employed for a period of twelve months will be regarded as having income of the minimum wage for 35 hours a week. That will reduce the costs of the scheme in gross terms by £33,367 and the Bracknell

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Forest Council reduction would be £26,276. This proposal will lead to 25 households losing their entire current discount on their Council Tax liability.

Increasing earned income disregards

- 5.7 The current LCTBS disregards an amount of household income for working age working households before calculating income in comparison to their applicable amount. So as to incentivise work it is recommended that the disregards are increased as in the following table,

Household type	Current disregard £'s per week	Proposed disregard £'s per week
Single working person	5	10
Working couple	10	15
Lone parent	25	30
Disabled person	20	25

This proposal would have a gross cost to the scheme of £33,259 a year and a cost of £26,191 to Bracknell Forest Council. In effect all working households will get to keep another £5 a week of their income.

- 5.8. A copy of the revised scheme based on these proposals is lodged in the Group rooms and can be made available upon request.

- 5.9 The following table summaries the proposals:

Proposed change	Gross reduction in scheme expenditure £'s	Bracknell Forest Council reduction in scheme expenditure £'s	Number of households who lose all current council tax discount
All households to pay 20% of Council tax liability	232,412	182,700	21
Child maintenance no longer disregarded	46,679	36,759	83
Self employed income assumed at national living wage	33,367	26,276	25
Earned income disregards increased	-33,259	-26,191	
Total	£ 279,199	£ 219,544	129

- 5.10 The Council is required to consider a transition scheme when implementing changes to the Local Council Tax Reduction Scheme to help households who are adversely affected by the changes. The Council currently has a £10,000 hardship fund to provide one off help for households who face financial hardship due to a change in their circumstances which means it will be difficult for them to pay their Council Tax liability. As can be seen above, a number of households will lose their current discount due to the proposed changes. Therefore, it is recommended that the hardship policy is amended to say that

financial support can be provided to those households who have received a discount in the previous twelve months but no longer receive a discount but face financial hardship. Subject to agreeing to change the approach of the policy it is recommended that the budget for the hardship fund is increased to £20,000. Availability of this support will be promoted to households as part of the financial assessment process so as to mitigate financial hardship caused by the proposed changes.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The Borough Solicitor has given advice to officers on the requirement for consultation in relation to the establishment of a local scheme. A scheme under the Act must also comply with the requirements of the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

Borough Treasurer

- 6.2. The proposed changes to the Council's Local Council Tax Benefit Scheme would reduce the cost of the scheme by £0.302m based on the financial information currently available. The potential impact of the changes on the collection rate and bad debt provision can be reflected in the allowance made for losses which forms part of the Council Tax Base calculation.

To help support families adversely affected by the changes, it is proposed that the Hardship Fund is increased by £10,000 to £20,000. This increase is not currently included in the 2016/17 revenue budget proposal included elsewhere on the agenda. The increase will need to be included as a budget pressure if the change is supported.

The proposed changes would also lead to a reduction in the cost of the scheme for Parishes, thereby increasing the precept payments made to them. This would in turn enable the Council to reduce the additional support it provides to Parishes by way of a grant. The exact impact can be quantified and built into the budget proposals once the Council Tax Base is set.

Chief Officer: Customer Services

- 6.3. Prior to the introduction of the 8.5% reduction in Council Tax support in 2013/14, the number of Council Tax accounts in arrears was 4,444 as at 31 March 2012. At the end of the first year of the current scheme the number of accounts in arrears increased by 34% to 5,785 accounts. A reduction in the support available through the LCTBS will undoubtedly increase the number of accounts in arrears even further.

The debts outstanding in respect of council tax support cases are currently an average of £90.00 per account and this means that arrears can often be recovered within one year, in many cases this is achieved by securing attachment to benefit orders. However, if these cases are to be expected to contribute 20%, the average debt would increase to £207.00. If certain customers continue not to engage or pay, the benefit deductions on the increased debt would take more than two years to clear one years worth of debt and therefore the arrears will escalate year on year.

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The small decrease in the amount of support available has had a minimal impact on our overall collection rates to date; and other authorities that have also implemented an 8.5% cut have seen minimal impact in their collection. However, council's that have implemented a 20% cut in support have seen their collection rates decrease by up to 0.5% on average. In addition to this, the workload of the team would increase further given that these debts will be more complex to administer and to collect, thus meaning that additional resources may need to be redirected in order to manage this.

Equalities Impact Assessment

- 6.4 An Equality Impact Assessment is included as Appendix C.

Strategic Risk Management Issues

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

The scheme includes a provision for bad debts as they may increase due to it being uneconomic to chase small Council Tax arrears. This risk will be mitigated by the redesign of the benefit and housing service so that claims are set up as soon as possible and customers have a dedicated caseworker to provide financial management advice as well as advice on how household income can be maximised.

The implementation of the Local Council Tax Reduction Scheme is dependent upon information on existing Council Tax reduction scheme customers being available to calculate new benefit based on the principles of the local scheme as well as the IT capability to undertake the calculations. The recommended scheme relies upon existing information and it is not necessary to seek new information from customers. The Council's IT supplier will amend the current system and system testing is currently taking place. Although the recommended scheme can operate through the IT system it will require substantial manual changes in the system to calculate the new Council Tax liability.

Any national welfare changes that are implemented in 2016/17 that reduce household income create a risk for the Council that the scheme expenditure will increase.

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 twelve 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 Thames Valley Police responded to the proposals as follows:

“The PCC believes that the local council is best placed to determine the most appropriate scheme for its residents and council taxpayers. As such, we will support what recommendations you decide to implement.”

7.5 Crowthorne Parish Council provided the following response,

“Crowthorne Parish Council has debated the attached correspondence and noted the recommendations put forward to the executive on the 21 July 2015.

Crowthorne Parish Council discussed these recommendations at length at the Parish Council meeting held on the 1 September 2015 and after much discussion the following comments were agreed:-

- 1. That BFC endeavours to reduce the maximum discount from 91.5% to 80% of Council Tax liability.**
- 2. That BFC considers increasing all working income disregards by 20% and not the £5.00 which is proposed.**
- 3. CPC agrees with the proposal that self-employed income is assessed at national hourly minimum rates after a twelve month period of time from start up.**
- 4. CPC agrees with the proposal that child maintenance should be taken into account when calculating household income.**
- 5. That an additional effort should be made by BFC in collection of Council Tax arrears.**
- 6. That BFC considers eliminating the Local Council Tax Reduction Scheme over a period in time, allowing only for exceptional cases to benefit from any reduction.”**

7.6 Bracknell Forest Homes provided a response to the consultation which is included at Appendix D.

7.7 The Bracknell Forest Citizens Advice Bureau provided the following comment:

“Single people, couples, families and lone parents whose only income is working age benefits are already living on an income that the government has determined is the basic minimum income they need to live on. Any further decrease in the amount of Council Tax Benefit they receive will inevitably mean a reduction in their overall income and will increase debt and poverty in the borough. This is the same for working age claimants on low income and we believe will push more people below the poverty level in Bracknell Forest area. This will be especially true for lone parents if Child Maintenance is too be taken into account when calculating income. We also believe this to be inconsistent with the Governments policy on Child Poverty. An increase in Council Tax would seem to be the better option as it would affect all households, including those on CTR, who would then pay their fare share, but not the crippling increase they will face under the proposed system.”

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- 7.8 There were 102 responses via the Council's consultation portal. A full equality impact assessment is included as Appendix C. In addition copies of all the responses and comments in group rooms.

Background Papers

Contact for further information:

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