



CLLR JANETTE WILLIAMSON

CABINET

18TH FEBRUARY 2019

**LOCAL COUNCIL TAX REDUCTION
SCHEME**

Councillor Janette Williamson (Cabinet Member for Finance and Resources) said:

“In 2013, the Conservative-led Coalition Government abolished Council Tax Benefit for hundreds of thousands of low-income households across the county. They replaced this support with the Local Council Tax Support Scheme, cutting the funding by 10% at the same time.

“This decision disadvantaged thousands of vulnerable, low-income Wirral families. Since its implementation, Wirral has tried its best to retain protection for these households, giving them the support that has been sadly lacking in national policy.

“I am delighted we have now developed a proposal to help us go further. This report provides a proposal for a new scheme of Council Tax reduction, an investment of more than £800,000 which will see more than 9,000 low income households get a better deal on their Council Tax.

“The proposals in this policy increase the level of support currently provided to thousands of the most financially vulnerable in Wirral by reducing their Council Tax liability, and to simplify the system for many residents including those on Universal Credit, zero hours contracts and irregular and incomes.

“We have always promised to put the most vulnerable first. This proposal is that promise in action.”

REPORT SUMMARY

The report outlines the process and content of proposed potential changes to the Council Tax Reduction Scheme operated by Wirral Council.

This report seeks approval in principle for the revised scheme, outlined in Appendix 1, to allow timely consultation to be carried out.

An Equality Impact Assessment to be carried out on the proposals for consultation.

The findings of the consultation and the Equality Impact Assessment will inform the final Council Tax Reduction Scheme which would be put to Members to consider no later than September 2019.

The revised scheme, if adopted, will have an implementation date of 1st April 2020.

This is a key decision and affects all wards within the borough.

RECOMMENDATIONS

1. Cabinet approves the continuation of the existing Council Tax Reduction Scheme for 2019/2020.
2. Cabinet are asked to agree for a period of consultation to be carried out on the proposal outlined in Appendix 1 for a new Council Tax Reduction Scheme which potentially would replace the existing scheme from 1st April 2020.
3. Agree to an Equality Impact Assessment (EIA) to be carried out on the proposals.
4. That a new Council Tax Reduction Scheme, which will have taken into account the EIA and consultation findings, will be put before Members for approval no later than September 2019.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMENDING THE CONTINUATION OF THE EXISTING COUNCIL TAX REDUCTION SCHEME FOR 2019/20

- 1.1 As part of the government's welfare reform programme, Council Tax Benefit was abolished in 2013 and replaced by a local Council Tax Reduction Scheme. Nationally the funding for the scheme was 10% less than previously paid out under the former Council Tax Benefit Scheme.
- 1.2 The reduction in funding meant that many Councils offset the shortfall in funding by reducing the amount of support granted to householders. In addition central government prescribed that non-working age claimants were automatically protected from the abolition of Council Tax Benefit. This meant that the cut in funding was even greater than the 10% for non-protected groups.
- 1.3 Following consultation Wirral Council decided, in addition to the protection offered to pensioners, to also protect other groups of householders in receipt of certain disability benefits.
- 1.4 For all other working age claimants in non-protected groups Council Tax Reduction was reduced to the extent that such householders had to pay a minimum of 22% towards their Council Tax bill each year.
- 1.5 The Council awards Council Tax Reduction of £28m to approximately 32,000 householders. Any change to this support has the potential to be far reaching on some of the poorest households in the borough.
- 1.6 Councils are required to consider each year whether they want to amend their existing scheme or replace it with a new scheme. In view of the importance of the discount and the complexities involved in the calculation and assessment of needs and income, it is recommended that the existing scheme which has run for 6 year be continued in its present format for at least one more year. This will give sufficient time for a proper consultation exercise to take place and an Equality Impact Assessment to be carried out. These will inform the final proposal put forward to Members to enable them to make an informed decision on any change.

2.0 REASON FOR RECOMMENDING THAT THE SCHEME BE REVISED FOR 2020/2021

- 2.1 The proposed new scheme, outlined in Appendix 1, would help those households most in need of financial assistance and if adopted would see additional reductions to Council Tax bills for some of the poorest households in the borough.
- 2.2 Since the scheme has been in operation many households are failing to clear their in year debt. There are maximum amounts of deductions allowed under both an attachments to benefits or wages and these are not normally

sufficient to clear a person's outstanding debt within the financial year, leading to households having multiyear Council Tax debts outstanding.

- 2.3 The current scheme also requires for a new calculation to take place every time a claimant has a change in their income no matter how small this change may be. Each change requires a new notification letter and amended bill to be sent to the claimant together with a recalculation of instalments. This is confusing for the customer and administratively intensive. Many Councils are now considering a banded income scheme to remove this necessity.

3.0 PROPOSED NEW SCHEME

- 3.1 Appendix 1 outlines the impact of the new scheme, both in terms of the additional reduction to be awarded together with the number of households affected.

- 3.2 In summary the draft revised Council Tax Reduction Scheme proposes:

- a) to retain protection for pensioners as required by national government policy.
- b) to maintain the existing regulations relating to the assessment of both household's composition and the treatment of income.
- c) to replace with a new scheme the requirement for non protected groups to pay a minimum of 22%.
- d) to introduce a banded income scheme. Following the normal calculation of a householder's income and needs their excess income to be placed into an income band and the reduction associated with each band applied to the households Council Tax account.

- 3.3 The proposed scheme will give greater help and support to low income households in the borough.

- 3.4 In addition the proposed banding of income will reduce the need for multiple changes to householder's Council Tax Reduction as a result of minor changes in their income. These minor fluctuations will increase significantly with the advent of Universal Credit.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No change to the existing Council Tax Scheme. This is not recommended as it would not increase the relief offered to low income households in the Borough.

- 4.2 Offer 100% Council Tax Reduction to all existing claimants. This was not recommended as the cost would be prohibitive.

- 4.3 Increase the maximum contribution from 22%. This was not recommended as it would place greater financial burdens on low income families.

- 4.4 Other variance to the scheme. For example cap the maximum level of support a household could receive to say a Band C property. This was not recommended as it would significantly increase Council Tax for households affected by such a cap.

5.0 HARSHIP FUND

- 5.1 Under the proposals to be consulted on, the vast majority of existing claimants would either remain at the same level of entitlement or have their entitlement increased. With a caseload of over 32,000 households, however, it's almost impossible to design a scheme, within reasonable financial constraints, that doesn't have some people receiving a reduced discount.
- 5.2 The proposed scheme outlined in Appendix 1 illustrates that the number of people having to pay more under a revised banded scheme has been kept to a minimum. Importantly nobody who previously paid nil under the old scheme would have to pay anything under the new scheme.
- 5.3 There are a number of options that could be considered in respect of people whose discount is reduced under the new scheme. This would involve the use of the Council's Hardship Fund. This fund has a budget of £50k and has previously been used for people who have genuine difficulty in paying their Council Tax and whose circumstances are exceptional. The existence of the fund together with how to apply will be published on the Council's website and also in the Council Tax leaflet accompanying bills. The options to consider for people whose discount is reduced are:
- a. Simply accept that there are some people who will lose out as discounts go up and down. There is the Hardship Fund for households who have genuine difficulty in paying but their circumstances need to be exceptional.
 - b. Take a decision to limit the reduction to say £2.50 per week. In such circumstance the householders would meet the first £2.50 of any reduction in year 1 but are compensated for anything above £2.50 per week. Such a proposal would affect 156 cases and cost £32,000
 - c. Take a decision to limit the reduction to say £5.00 per week. In such circumstance the householders meet the first £5.00 of any reduction in year 1 but are compensated for anything above £5.00 per week. Such a proposal would affect 74 cases and cost £18,000
 - d. Limit the loss for people in certain Bands. For example, take a decision to limit the reduction for households in certain Bands e.g. Bands A & B only
 - e. Finally, a combination of the above. So for example, people in Bands A & B do not have to pay more than £2.50/ £5.00 etc.

5.4 These options will be considered in more detail once the consultation responses have been received. The figures are based on the latest data available and do change daily.

6.0 FINANCIAL IMPLICATIONS

6.1 The revised scheme would result in an additional £830,000 in Council Tax Reduction being awarded to the Council Tax account of low income households based on the latest data.

6.2 In addition there are additional software and implementation and running costs of £65,000.

6.3 If the Council decides to adopt any of the protection schemes outlined in Appendix 1 then there would be an additional cost commensurate with the option chosen.

6.4 There would be an impact of reduced summons costs. At the present time the authority budgets for summons and liability costs being raised each year (2018/19 £300,000). This is already proving to be impossible to collect as the charge falls upon families who are already being pursued for non-payment of Council Tax via the Courts. Although the impact of a revised scheme would be unknown it is anticipated that these costs would be reduced and hence less potential income to the authority.

6.5 A permanent pressure of £1m has been included in advance within the 2019-2023 MTFS to fund the revised scheme. If Cabinet did not choose to approve the revised scheme, this would release a £1m pressure on the MTFS from 2020 onwards.

7.0 LEGAL IMPLICATIONS

7.1 Section 13A (2) of the Local Government Finance Act 1992 requires the Council as the billing authority to make a localised Council Tax Reduction Scheme in accordance with Section 1A of the act. Each financial year the Council must consider whether it wants to revise the scheme or replace it.

7.2 When carrying out the consultation outlined in Section 11 (below) the following guiding principles for a fair consultation must be adhered to:

- It should be at a time when proposals are at a formative stage
- Must include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response
- Those consulted should be made aware of the factors that are of decisive relevance to the decision
- Adequate time should be given for consideration and response
- The product of the consultation should be conscientiously taken into account by the decision makers when the ultimate decision is taken

8.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 8.1 There is a requirement to purchase the software as outlined above. Staff would require training to enable them to process the changes and explain the new scheme to customers.
- 8.2 Whilst still requiring a calculation to take place on each change in circumstances, the banded scheme would reduce the amount of contact required with the customer. Presently any change in circumstances that leads to a change in reduction, however small, has to be notified to the customer by letter with a revised bill being sent. Under the banding scheme if a customer's income changed during the course of their claim but remained within the allotted income band then there would be no change in their discount and there would be no requirement for new notifications and revised instalments to be sent to them.

9.0 PROCUREMENT

- 9.1 The required software can only be purchased from the existing provider. Engagement with Procurement has been undertaken and the appropriate advice provided.

10.0 RELEVANT RISK

- 10.1 The scheme outlined in Appendix 1 is based on amounts of Council Tax Reduction awarded as of now. Council Tax Reduction entitlement is dynamic and residents come on and off of entitlement on a daily basis. Although the Council Tax Reduction caseload has been relatively static there is always the risk that this could increase which would increase the amount of reduction people are entitled to. This would happen whether or not the scheme was changed.

11.0 ENGAGEMENT/CONSULTATION

- 11.1 It is proposed that consultation takes place lasting for 10 weeks this will be via:
- a. Consulting with any major precepting authority which has power to issues a precept to it
 - b. Publish a draft scheme on the internet and publicise this fact to residents via the usual channels
 - c. Letters to current claimants who will potentially lose out under the new scheme to encourage them to respond to the consultation and to highlight the use of the hardship fund
 - d. Consult with key partners who may have an interest in the operation of the scheme

12.0 EQUALITY IMPLICATIONS

12.1 An Equalities Impact Assessment will be carried out to inform the final proposed scheme put forward to Cabinet in 2019.

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APPENDIX 1

Draft outline of proposed changes to the Council Tax Reduction Scheme for Wirral

REFERENCE MATERIAL

SUBJECT HISTORY

Previous Cabinet Meetings for Local Council Tax Reduction Scheme

Council Meeting	Date
Council	29 June 2015
Cabinet	22 February 2016
Cabinet	20 February 2017
Cabinet	04 September 2017

Appendix 1

Outline of proposed changes to the Council Tax Reduction Scheme operated by Wirral Council

1. Background

- 1.1 The proposed amendments to the current Council Tax Scheme are designed to:
- a. Ease the financial burden on low income families
 - b. Simplify the scheme to reduce the effect of multiple small changes in income
 - c. Examples of calculations are given at the end of Section 2

2. The Scheme

- 2.1 The proposal is for an income banded scheme which will assess the maximum amount of Council Tax Reduction on the basis of the net income of the applicant (and partner) together with their household composition.
- 2.2 The main basis of the calculation will remain as at present with regard to the calculation of income and applicable amounts. There will be no change in relation to this.
- 2.3 Non working age households will remain protected as they are now. There will be no change in relation to this.
- 2.4 Under the scheme Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments and War Disablement Pension will continue to be disregarded when calculating a person's income. There will be no change in relation to this.
- 2.5 The proposed amendment to the current scheme is that non working age households will now receive a discount, depending upon which band their net income falls into. This will determine the percentage of Council Tax Reduction to be awarded.
- 2.6 The income bands and associated discounts are set out below in Table 1:

Table 1 Discount Bands

Discount Band	Non Protected % discount	Protected % discount	Excess Income bands £
1	85	100	0 - 15
2	75	85	15.01 - 30
3	50	60	30.01 - 60
4	25	35	60.01 – 80
5	0	0	Above 80

2.7

The table above illustrates that, for example, a person who is in a protected category with an excess income figure of up to £15 pw would receive 100% discount on their Council Tax.

2.8 If their income increased then any excess income of between £15 and £30 would give them a discount of 85%.

2.9 The advantage of the revised scheme is that if a person's income changes during the course of their claim but remained within their allotted income band then there would be no change to their discount and there would be no requirement for new notifications and bills and revised instalments to be sent to them.

2.10 This would help many households who have regular changes in their income of relatively small amounts.

2.11 The banded scheme would enable the Revenues & Benefits service to sustain its service delivery after the full introduction of Universal Credit.

2.12 **Example 1** Household that will see a reduction in their discount

Claimant, Partner and Youth 16 – 19 in household

Gross income £349.85

Net income £302.05

Applicable Amount £179.07

Excess Income £122.98

Current Entitlement = £1.34

Entitlement under this Proposal = £0.00

The Summary of the calculation is below.

Existing Calculation

The Council Tax charge for a Band D property is £33.25. After the 22% reduction is applied it leaves an allowable figure of £25.94 to be used in the calculation.

Their Excess Income figure is £122.98 which once the 20% taper is applied to this (£24.59) and deducted from the Council Tax (£25.94) leaves an entitlement calculated at £1.34 per week.

New Scheme Calculation

The calculation of the excess income figure is as above £122.98 which puts them in Discount Band 5 which is nil entitlement.

2.13 **Example 2** Household that would gain under the proposal

Claimant and 2 children under 16 in the Household

A 25% Single Person Discount has been applied on this account

Gross income £381.90

Net income £278.75

Applicable amount £224.35

Excess income £54.40

Current Entitlement = £4.25

Entitlement under this Proposal £9.70

The Summary of the calculation is below

Existing Calculation

The Council Tax charge after the Single Person Discount is £19.40 after the 22% reduction is applied it leaves an allowable figure of £15.14 to be used in the calculation.

Their Excess Income figure is £54.40 which once the 20% taper is applied to this (£10.88) and deducted from the Council Tax (£15.13) leaves an entitlement calculated at £4.25 per week.

New Scheme Calculation

The calculation of the excess income figure is as above £54.40 which puts them in Discount Band 3 (non protected) which is 50% discounts giving them an entitlement of £9.70 per week - an increase of £5.45 per week.

3 Overall impact

3.1 Table 2 below summarises the changes that would take effect if a revised banded scheme was introduced based on the current rules regarding income capital and household composition.

Table 2 Revised Expenditure

Group Description	Current Year			Increase Decrease
	Current Count	Current Expenditure	Revised Expenditure	
Elderly	13,275	12,524,987	12,529,634	-4,647
Working Age - Non-Passported - Disability	305	284,197	279,167	5,030
Working Age - Non-Passported - Disabled Child Premium	239	199,316	202,483	-3,167
Working Age - Non-Passported - Enhanced Disability	593	577,526	570,854	6,672
Working Age - Non-Passported - ESA Support Component	21	17,761	18,178	-417
Working Age - Non-Passported - Other	4,693	2,828,384	3,341,551	-513,168
Working Age - Non-Passported - Severe Disability	524	465,080	468,260	-3,180
Working Age - Non-Passported - War Pensioners	35	33,024	32,187	837
Working Age - Passported - Disability	387	438,637	438,637	0
Working Age - Passported - Disabled Child Premium	345	343,006	343,198	-192
Working Age - Passported - Enhanced Disability	3,835	3,932,378	3,933,989	-1,610
Working Age - Passported - ESA Support Component	98	113,670	113,670	0
Working Age - Passported - Other	4,410	3,198,378	3,507,211	-308,832
Working Age - Passported - Severe Disability	3,543	3,246,174	3,247,229	-1,055
Working Age - Passported - War Pensioners	11	11,719	11,719	0
TOTAL	32,314	28,214,236	29,037,965	-823,729

3.2 The main points to note are (as at Sept 2018)

- a. The total number of claimants is 32,314
- b. Under the existing CTRS we award discount of £28,214,236
- c. Under a revised banded scheme we would award discount of £29,037,965
- d. The cost of the new scheme would be £823,729

- e. It should be noted that the collection rate for these households is circa 80% which means that the true cost is circa £660,000
- f. Anyone who is presently paying nil under the existing scheme will pay nil under the new scheme
- g. Although the cost is within budget there is also a one off cost of £57k for the purchase of the software plus £3k installation
- h. There is ongoing maintenance of £11.3k per year
- i. There would be an impact of reduced summons costs. At the present time the authority budgets for summons and liability costs being raised each year. Although the impact of a revised scheme would be unknown it is anticipated that these costs would be reduced and hence less potential income to the authority

3.3 In terms of change the following table illustrates were these will take effect.

Table 3 Increase / decrease

Increase/Decrease in discount per week	Number of households
Between 10.01 and 15.00 increase	5
Between 5.01 and 10.00 increase	333
Between 2.51 and 5.00 increase	1,383
Between 0.01 and 2.50 increase	7,663
Remain unaltered	9,334
Between 0.01 and 2.50 decrease	164
Between 2.51 and 5.00 decrease	83
Between 5.01 and 10.00 decrease	49
Between 10.01 and 15.00	20
More than 15.00	5

- a. Under the scheme 22,609 households remain unaltered in the discount they receive. (9,334 + non working age claimants 13,275)
- b. Under the scheme 9,384 householders will be better off. These are the households who are in the main not protected at the moment. The bulk of these will receive an increased discount of up to £2.50 per week.
- c. Under the scheme 321 householders would receive less discount, but of these 164 would see a reduction of under £2.50 per week.

4. Protection

- 4.1 With a caseload of over 32,000 households it is also most impossible to design a scheme within budget that does not have some people receiving a reduced discount.
- 4.2 The figures shown above illustrate that the number of people having to pay more under a revised banded scheme has been kept to a minimum. Importantly nobody who previously paid nil under the old scheme would have to pay anything under either of the new schemes.
- 4.3 There are a number of options that could be considered in respect of people whose discount is reduced under the new scheme.
- a. Simply accept that there are some people who will lose out as discounts go up and down. There is a Hardship Fund for households who have genuine difficulty in paying but there circumstances need to be exceptional.
 - b. Take a decision to limit the reduction to say £2.50 per week. In such circumstance the householders would meet the first £2.50 of any reduction in year 1 but are compensated for anything above £2.50 per week. Such a proposal would affect 156 cases and cost £32,000.
 - c. Take a decision to limit the reduction to say £5.00 per week. In such circumstance the householders meets the first £5.00 of any reduction in year 1 but are compensated for anything above £5.00 per week. Such a proposal would affect 74 cases and cost £18,000.
 - d. Limit the loss for people in certain Bands. For example, take a decision to limit the reduction for households in certain Bands e.g. Bands A & B only.
 - e. Finally a combination of the above. So for example people in Bands A & B do not have to pay more than £2.50/ £5.00 etc.

5 Effect by Band

- 5.1 Table 4 shows the effect of this on householders by band.

Table 4 Changes by Council Tax Band

Property Band	No	Gainers	Same	Losers	Sum of Change £
A	15,181	7,568	7,499	114	-663,318
B	2,749	1,308	1,334	107	-126,446
C	787	370	353	64	-28,835
D	214	100	94	20	-7,509
E	73	24	36	13	2,346
F	26	9	15	2	65
G	9	5	3	1	-32
Total	19,039	9,384	9,334	321	-823,729

5.2 As can be seen the greatest help goes to the lowest banded properties

6 Summary

6.1 The main proposal is summarised below

Cost of scheme	£823,000
Software	£60k
Ongoing	£12k
Zero payers remain zero payers	Yes
Households that remain unaltered	22,609
Households better off	9,384
Households worse off	321
Cost of helping people above £2.50	£32,000 156 households
Cost of helping people above £5	18,000 74 households
Gainers in Band A	7,568
Gainers in Band B	1,308
Reductions in Band A	114