

**FORM 1**

**NOTICE OF DELEGATION OF DECISION TO CABINET MEMBER BY STRONG LEADER**

Section 15(4) of the Local Government Act 2000, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1<sup>st</sup> December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

I, Councillor Helen Dyke, as Strong Leader, delegate the decision to decide to consult with the public regarding possible changes to the Council Tax Reduction Scheme for 2023/24 to the Cabinet Member detailed below:

Councillor Mary Rayner, Cabinet Member for Finance and Capital Portfolio

Dated: 9 August 2022



Signed:

.....

Leader of the Council

**FORM 2**

**NOTICE OF DECISION OF CABINET MEMBER**

Pursuant Section 15(4) of the Local Government Act 2000, as amended by section 63 of the Local Government and Public Involvement in Health Act 2007, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1<sup>st</sup> December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

In accordance with the authority delegated to me by the Leader, I have made the following decision:

<b>Subject</b>	<b>Decision</b>	<b>Reason for decision</b>	<b>Date for Decision to be taken</b>
Council Tax Reduction Scheme Review 2023/24	To decide to consult with the public regarding increasing the level of support provided under the Council Tax Reduction Scheme from 1 <sup>st</sup> April 2023. Public consultation will commence from 1 <sup>st</sup> September 2022.	The Council is required to review the Council Tax Reduction Scheme each year. Any proposed changes are subject to public consultation with the final decision by full Council. Due to the cost-of-living crisis the option to increase the level of support provided to low income households in receipt of Council Tax Reduction Scheme is being considered for 2023/24.	9 August 2022

**I confirm that the appropriate statutory officer consultation has taken place with regard to this decision.**

Dated: 9 August 2022

Signed:  .....

Councillor: Mary Rayner .....  
Cabinet Member for Finance and Capital Portfolio

## WYRE FOREST DISTRICT COUNCIL

### STRONG LEADER

9 August 2022

#### Consultation on potential changes to council tax reduction scheme for 2023/24 onwards

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor Mary Rayner Cabinet Member for Finance and Capital Portfolio
<b>RESPONSIBLE OFFICER:</b>	Lucy Wright, Head of Revenues, Benefits and Customer Services Manager Ext. 2948 Lucy.wright@wyreforestdc.gov.uk
<b>APPENDICES</b>	None

#### **1. PURPOSE OF REPORT**

- 1.1. To consider whether to consult on potential changes to the Council Tax Reduction Scheme for 2023-24 onwards.

#### **2. RECOMMENDATION**

- 2.1 **Cabinet is asked to APPROVE issuing a consultation paper to seek views on reducing the minimum contribution required from working age Council Tax Reduction Scheme claimants from 2023-24 onwards.**

#### **3.0 BACKGROUND**

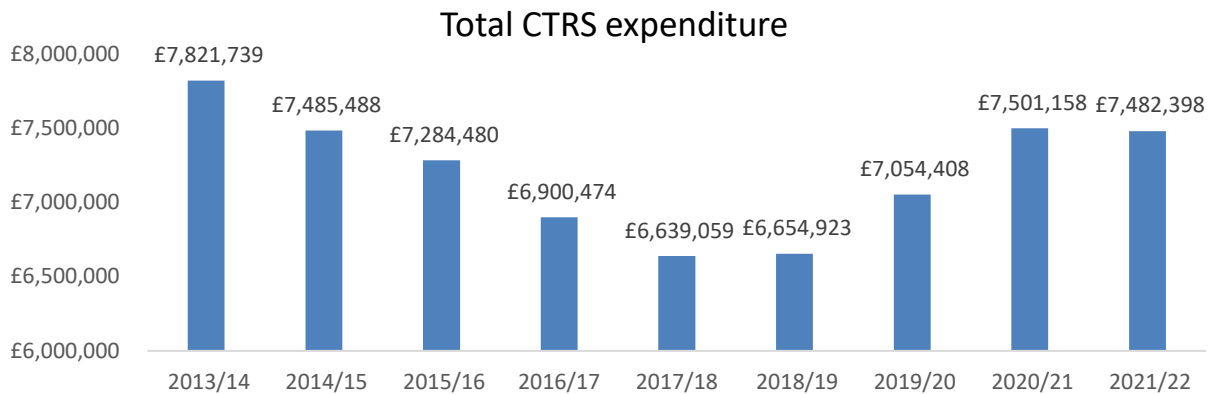
- 3.1 Under paragraph 4 of Schedule 1A to the Local Government Finance Act 1992 the Council is required to consider whether to revise its scheme or to replace its scheme for the forthcoming financial year. This report discharges that duty. There is a separate duty to consult on any changes that the Council might propose to its scheme.
- 3.2 The Council Tax Reduction Scheme (CTRS) replaced Council Tax Benefit from 1 April 2013. The scheme for pensioners is determined by Central Government and the scheme for working age applicants is determined by the Council. Pensioners broadly receive the same level of support that was previously available under the Council Tax Benefit scheme which is up to 100%.
- 3.3 In Wyre Forest all households of working age are required to pay at least 20% council tax regardless of their income. In April 2019, the scheme changed to an income banded scheme. Low income households can receive either a 20%, 40%, 60% or 80% reduction based on the income bands and household circumstances set out in the tables.

Discount Level		Singles (weekly net income level)	Couples (weekly net income level)	Family +1 child (weekly net income level)	Family +2 (or more) children (weekly net income level)
Band 1	80%	£0 - £89.99	£0 - £124.99	£0 - £199.99	£0 - £269.99
Band 2	60%	£90 - £119.99	£125 - £154.99	£200 - £249.99	£270 - £304.99
Band 3	40%	£120 - £149.99	£155 - £184.99	£250 - £274.99	£305 - £334.99
Band 4	20%	£150 - £179.99	£185 - £214.99	£275 - £299.99	£335 - £364.99

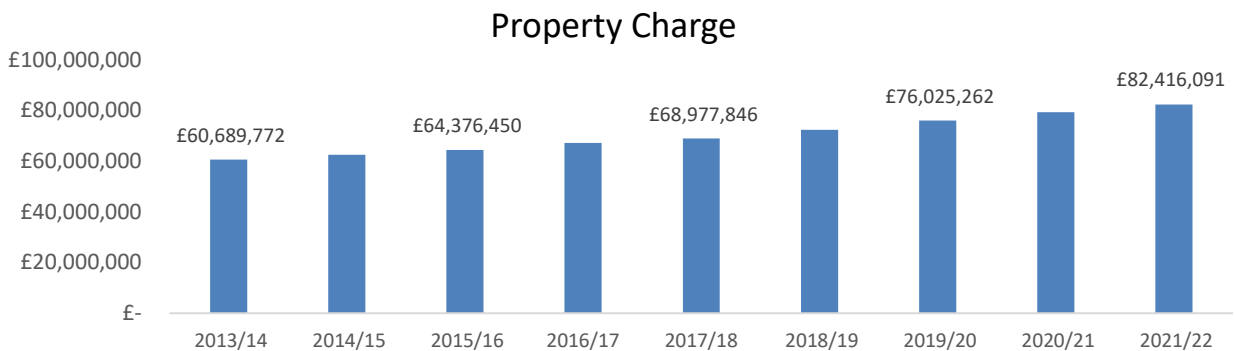
### Recipients of CTRS, July 2022

Discount level	Percentage of working age CTRS caseload	
80%	63%	The majority are single households
60%	20.3%	
40%	8.3%	
20%	8.3%	

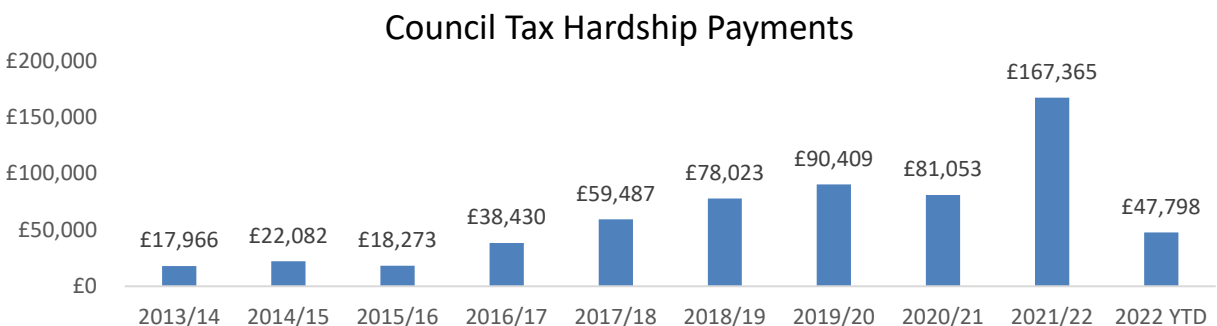
- 3.4 It will be seen from the second table that increasing the level of support for CTRS claimants will have the greatest impact for the lowest income households. Reviewing the level of support is a practical measure that the Council can take to assist the households in the district who, by definition, have the lowest income and are therefore probably suffering a disproportionate effect from recent inflationary increases – increases that are not expected to disappear in 2023-24 (as no commentator is predicting substantial negative inflation in 2023).
- 3.5 CTRS is applied as a discount to council tax. An increase in the level of support offered under the scheme will reduce our council tax base and reduce the overall amount of council tax billed. A reduction in the tax base reduces the council tax income to all preceptors (county, fire, police and parishes). Since its introduction in April 2013 the Council Tax Reduction Scheme has increased the Council's potential income from council tax. It is important to note that **only the revenue collected can be classed as income**. The annual cost of the scheme is shown in the following charts:



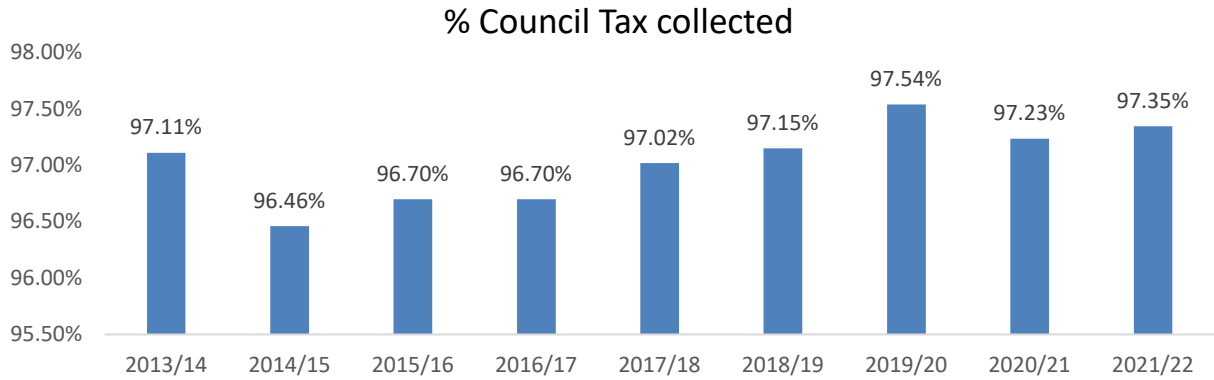
3.6 The cost of the scheme is measured by comparing the scheme expenditure (above) with the overall gross property charge (below). The lower the percentage, the lower the overall cost as referred to in more detail in paragraph 5.1.



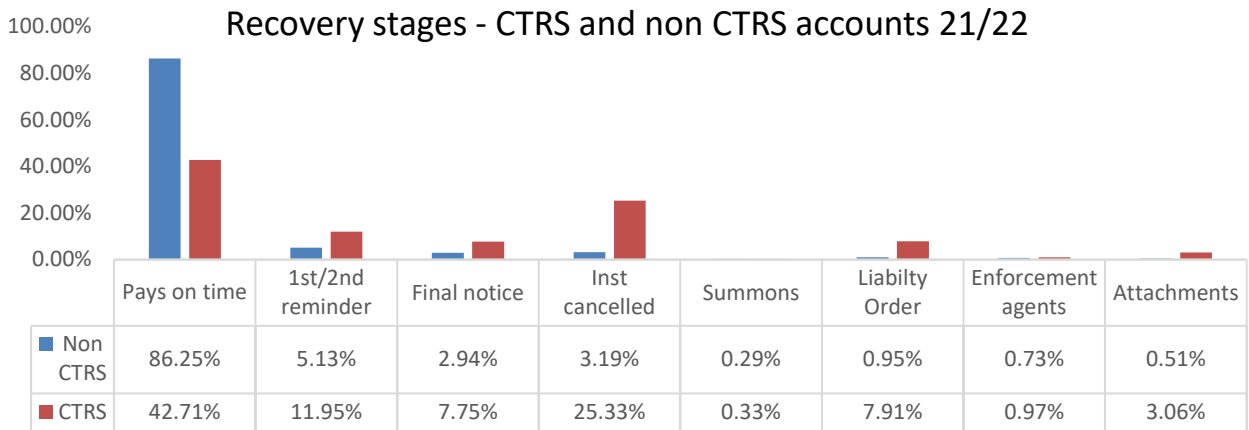
3.7 The current scheme has worked well overall and provides protection and support for those in need. A council tax hardship fund is operated to help people facing genuine difficulties in paying their council tax bills. This hardship scheme is a cost to the district council although Worcestershire County Council contribute £75,000 towards hardship each year and the following chart shows how these costs are now increasing:



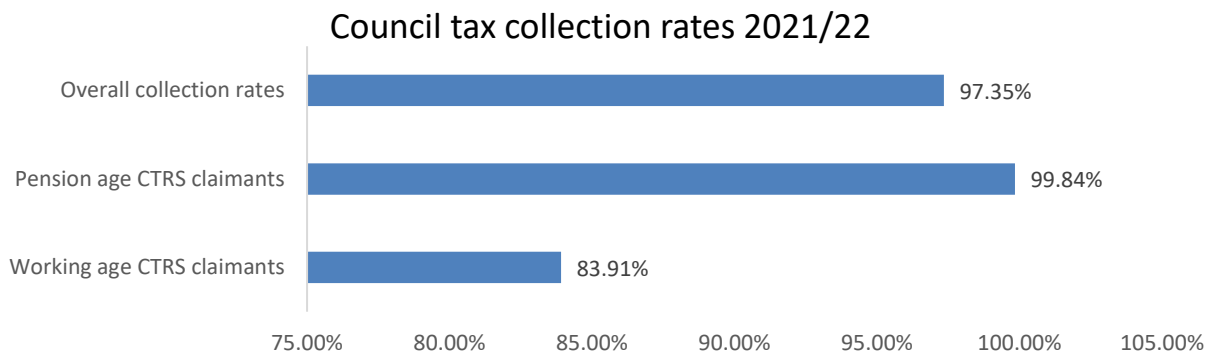
3.8 Until the pandemic, collection rates for council tax were improving each year. Recovery has become harder since then and the cost-of-living crisis will put a greater strain on the limited staff resource as more households struggle to pay even their essential bills.



3.9 Analysis shows that significantly more households in receipt of CTRS are in arrears with their council tax than households who do not receive CTRS. This is shown in the following table. CTRS claimants have smaller balances so more resource goes into collecting proportionately lower amounts of income.



3.10 Collection rates for council tax for 2021/22, broken down by CTRS and non CTRS accounts were as follows:



## 4.0 KEY ISSUES

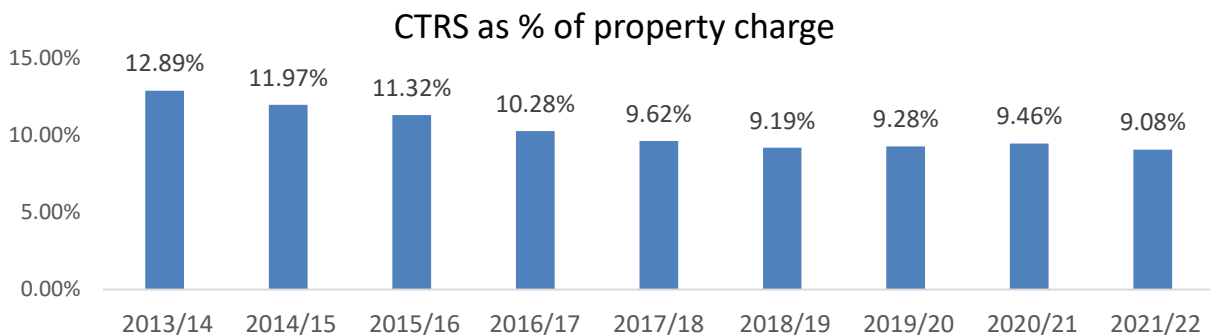
- 4.1 As the property charge for Council Tax increases each year recovery is becoming harder especially with the rising costs of living. This is more noticeable with CTRS claimants with the lowest household income. Thus it is timely to consider whether to reduce the minimum council tax contribution from the lowest income households, to provide them with much needed financial support. If changes are proposed, a careful balance will need to be struck in terms of impact on working age low income households and the Council's financial position. Increasing the level of support will increase the cost of the scheme but would potentially see an overall increase in income collection, in terms of being able to divert valuable resources to areas where there is greater chance of maximising income.
- 4.2 To increase the contribution required from people of working age is an option and could be seen as a way to reduce the cost of the scheme. However this needs to be balanced by careful consideration of the potential impact on poverty, including food and fuel poverty, especially during the current cost of living crisis. Increasing the amount of council tax that low income households have to pay is likely to have a detrimental effect on the collection fund - by increasing the amount of write offs to the collection fund and demand for support for hardship from the council's general fund and on staff resources, especially during the current crisis.
- 4.3 The Council and all its major precepting authorities continue to face significant financial challenges to meet savings targets to meet the impact of the reductions in Government grants over the last decade. Whilst reducing the minimum contribution for working age CTRS claimants could mean a loss of potential income on paper, in practice **income is only income if it is actually collected**. As earlier charts show collection rates from working age CTRS claimants are much lower than non CTRS claimants. Reducing the annual liability for low income households opens up more avenues for collection and will allow the Council to divert valuable resources from the people who can't pay to the people who won't pay.
- 4.4 This paper seeks views on whether the contribution from people of working age should be **reduced** by up to 20% with effect from 1 April 2023. The likely impact for a single person who receives the maximum CTRS in a Band A property is shown in paragraph 5.6.
- 4.5 The next steps would be as follows:

Public Consultation	1 September – 10 October 2022
Consideration of consultation responses by Overview and Scrutiny Committee and recommendations to Cabinet	3 November 2022

Consideration of consultation responses by Cabinet and final recommendations to Council	8 November 2022
Decision by Council on changes to council tax reduction scheme for 2023-24	7 December 2022 (Any decision to change the scheme must be agreed by full Council by 10 March 2023)
Scheme takes effect	1 April 2023

## 5. FINANCIAL IMPLICATIONS

5.1 With the exception of 2020/21 the overall cost of the scheme, when taken as a percentage of the property charge, is reducing each year. This is shown in the chart below.



5.2 The current caseload has been analysed and the cost of increasing the level of support to either 85%, 90%, 95% or 100% is shown below. The impact should not be considered by the increased cost alone. Consideration needs to be given to the cost of the scheme against the property charge (which will increase again in 2023-24) and the fact that collection rates from working age CTRS claimants (83.91%) are considerably lower than from non CTRS claimants (98.59%).

5.3 The gross Council Tax liability has increased by 26% since 2013. The percentage of CTRS as a comparison has reduced by 30% during the same period.

5.3 In 2021/22 the net liability for working age CTRS claimants was £3m. However only £2.5m was collected so the remaining **£500,000 was income lost to the collection fund**. This lost income is equivalent to increasing the level of support to 90%.

5.4 Reducing council tax bills for low income working age households means it is more likely that claimants will pay. For those who still do not pay, their lower debt is more likely to be cleared via an Attachment to Benefits.



Current Property Charge (gross)		£85,907,214	
<b>Current CTRS cost</b>			
Working age	£3,869,081		
Pension age	£3,675,119		
<b>TOTAL</b>	<b>£7,544,200</b>	<b>8.78%</b>	<b>Current cost as a % of property charge</b>
<b>Estimated cost if maximum support capped at 85%</b>			
Working age	£4,148,952		
Pension age	£3,675,119	£279,871	Estimated increase
<b>TOTAL</b>	<b>£7,824,071</b>	<b>9.11%</b>	<b>Cost as a % of property charge</b>
<b>Estimated cost if maximum support capped at 90%</b>			
Working age	£4,424,404		
Pension age	£3,675,119	£555,323	Estimated increase
<b>TOTAL</b>	<b>£8,099,523</b>	<b>9.43%</b>	<b>Cost as a % of property charge</b>
<b>Estimated cost if maximum support capped at 95%</b>			
Working age	£4,577,831		
Pension age	£3,675,119	£708,750	Estimated increase
<b>TOTAL</b>	<b>£8,252,950</b>	<b>9.61%</b>	<b>Cost as a % of property charge</b>
<b>Estimated cost if maximum support capped at 100%</b>			
Working age	£4,858,436		
Pension age	£3,675,119	£972,332	Estimated increase
<b>TOTAL</b>	<b>£8,533,555</b>	<b>9.93%</b>	<b>Cost as a % of property charge</b>

5.5 The following table shows estimated additional costs for each option if the Council were to consult on increasing the level of support for working age households. It is probable that the cost to this council will be off-set to a large extent by reduced awards from the hardship fund.

Scheme variation	Estimated Additional CTRS Expenditure	Estimated cost based on 2021 Collection Rates for CTRS (83.91%)	Estimated additional cost for WFDC
Increase support to 85%	£280,000	£234,948	£28,194
Increase support to 90%	£555,000	£465,701	£55,884
Increase support to 95%	£709,000	£594,922	£71,391
Increase support to 100%	£972,000	£815,605	£97,873

5.6 The following table illustrates the financial impact for households of increasing the level of support provided. The illustration is based on a Band A dwelling, single occupant who is in receipt of the highest level of CTRS (currently 80%) due to their low income.

<b>Current Year</b>	
Band A charge	£1,341.03
Less 25% SPD	<u>£335.26</u>
	£1,005.77
Less 80% CTRS	<u>£804.62</u>
<b>Balance</b>	<u><u>£201.15</u></u> 10 monthly instalments of £20.12

### 2023-24 Forecasts

(assuming a 4% increase in council tax)

Band A charge	£1,394.67
Less 25% SPD	<u>£348.67</u>
	£1,046.00
Less 80% CTRS	<u>£836.80</u>
<b>Balance</b>	<u><u>£209.20</u></u> 10 monthly instalments of £20.92

Band A charge	£1,394.67
Less 25% SPD	<u>£348.67</u>
	£1,046.00
Less 85% CTRS	<u>£889.10</u>
<b>Balance</b>	<u><u>£156.90</u></u> 10 monthly instalments of £15.69

Band A charge	£1,394.67
Less 25% SPD	<u>£348.67</u>
	£1,046.00
Less 90% CTRS	<u>£941.40</u>
<b>Balance</b>	<u><u>£104.60</u></u> 10 monthly instalments of £10.46

Band A charge	£1,394.67
Less 25% SPD	<u>£348.67</u>
	£1,046.00
Less 95% CTRS	<u>£993.70</u>
<b>Balance</b>	<u><u>£52.30</u></u> 10 monthly instalments of £5.23

Band A charge	£1,394.67
Less 25% SPD	<u>£348.67</u>
	£1,046.00
Less 100% CTRS	<u>£1,046.00</u>
<b>Balance</b>	<u><u>£0</u></u>

- 5.7 The table illustrates how, based on an assumed 4% increase in council tax, an increase in council tax reduction support in the range of 85% to 100% would leave that individual approximately £5 to £20 a month better off over the 10 instalments compared to the current year.

## **6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 The report discharges the requirement to decide whether to review or replace the Council's council tax reduction scheme. The proposed consultation paper discharges the duty to consult about any changes.

## **7. EQUALITY IMPACT NEEDS ASSESSMENT**

- 7.1 There are not believed to be any issues that affect the protected characteristics under the Equality Act. However because of the potential impact on poverty including childhood poverty, an impact assessment will need to be undertaken before final decisions are taken. The results will be presented in the report to Cabinet in November.

## **8. RISK MANAGEMENT**

- 8.1 The report addresses the legal requirements and other factors that will have to be balanced carefully in taking final decisions.
- 8.2 The forecast figures are based on the current CTRS caseload. There are external factors that could affect the final cost of the scheme or the impact on the collection fund.

## **9. CONCLUSION**

- 9.1 The Cabinet is invited to agree that consultation should be undertaken in the autumn to seek views on reducing the minimum contribution required from working age Council Tax Reduction Scheme claimants from 2023-24 onwards. This will enable a Cabinet recommendation to Council at its meeting in December 2022 on any changes to the scheme.

## **10. CONSULTEES**

- 10.1 Cabinet  
10.2 Corporate Leadership Team

## **11. BACKGROUND PAPERS**

- 11.1 Cabinet Report 17<sup>th</sup> July 2018 -  
[http://www.wyreforest.gov.uk/council/docs/doc53369\\_20180717\\_cabinet\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc53369_20180717_cabinet_agenda.pdf)

Detailed information on the current council tax reduction scheme can be found at [www.wyreforstdc.gov.uk/counciltax](http://www.wyreforstdc.gov.uk/counciltax)