

Council Tax Support Modelling for Harborough District Council



Contents

Executive Summary	3
Table 1: A comparison of scheme options	4
1.0 Introduction.....	5
1.1 Background and Objectives	5
1.2 Current scheme	5
1.3 Uprated scheme	5
1.4 Proposed schemes	5
2.0 Modelled schemes	7
2.1 Model 1: Maximum Council Tax Support reduced to 70% for all households	7
2.2 Model 2: Maximum Council Tax Support reduced to 80% for all households	8
2.3 Model 3: Introducing a band cap at band D, and a capital limit of £6,000	10
3.0 Summary	12
3.1 Key considerations	12
3.2 General considerations	13
Annex: Methodology and approach	14

Executive Summary

Harborough District Council is reviewing its current Council Tax Support (CTS) scheme in 2017/18.

Policy in Practice has been commissioned to model three alternative CTS scheme options for consideration by the council. This report provides an analysis of the schemes' impact on residents and on council finances. The analysis is based on modelling all three of the proposed options below on each of the 3,308 low-income households in the council's housing benefit and council tax support datasets.

The cost of the current scheme is £2.70m, with £1.00m spent on 1,409 working age households who could be impacted by changes to the CTS scheme. The remaining £1.70m is spent on 1,899 pension age households who are fully protected from any changes in support.

The current scheme caps support at 85% of council tax liability for working age households. If Council Tax Liability is set to increase by 3.99% in 2017/18, this will increase the costs of support by 3.81% to £2.81m. £1.03m (+3.0%) for working age households.

The following CTS scheme options are modelled against the updated current scheme for working age households.

- Model 1 – Maximum Council Tax Support reduced to 70% for all households
- Model 2 – Maximum Council Tax Support reduced to 80% for all households
- Model 3 – Introducing a band cap at band D, and a capital limit of £6,000

The schemes were agreed with the council as being relevant for consideration, as part of a coordinated review of the existing CTS schemes in Leicestershire, with a view to adopting new schemes from 1st April 2017.

The headline description of each scheme is a summary; the models take into account all specified changes. Table 1 (below) compares each scheme according to the key criteria identified by the council, and highlights the key impacts and implications the council may wish to consider.

The council will need to think carefully about how to balance savings alongside the impact on household incomes. We hope this report leads to further informed discussion among members about the appropriate priorities for the council.

Table 1: A comparison of scheme options

	Current Scheme	Baseline Current Scheme (uprated)	Option 1: 70%	Option 2: 80%	Option 3: bandcap & capital limit (£6,000)
Scheme Description	The current scheme caps support for working age households at 85%	Current scheme (CTB @ 85%) uprated by 3.99% for 2017/18, taking into account National Living Wage and Tax Allowance	Maximum council tax support set at 70% for all working age households	Maximum council tax support set at 80% for all working age households	Council Tax Support limited to properties at Band D and below; and to households with savings below £6,000
Total cost of scheme	£2,700,994	£2,807,859	£2,604,122	£2,739,206	£2,777,335
Support to Working Age Households	£996,608	£1,026,618	£822,882	£957,966	£996,094
Estimated CT savings relative to current uprated scheme	N/A	N/A	-£203,736	-£68,653	-£30,524
Estimated CT savings relative to current uprated scheme (%)	N/A	N/A	-7.3%	-2.4%	-1.1%
Average annual loss in support, working age (compared to uprated scheme)	N/A	N/A	-£144.60	-£48.72	-£21.66
Number of households losing support all together	N/A	17	60	23	41
Overview	N/A	A higher minimum wage and personal tax allowance mean that the cost of support increases by less than the rise in liability.	Council tax falls on average by £2.78 per week compared to the uprated scheme. 60 households (in-work) lose support altogether.	Council tax falls on average by £0.94 per week compared to the uprated scheme. 23 households (in-work) lose support altogether.	Council tax falls by 42p per week, 41 households lose support altogether.
Impacts	N/A	Owner-occupiers, households that are receiving out-of-work benefits and couples without children see the biggest increases in CTS.	Couples, both with or without children, are particularly hard hit. The impact across tenure is fairly even, while households that are self-employed will on average experience a bigger reduction.	Couples, both with or without children, are particularly hard hit. The impact across tenure is fairly even, while households that are self-employed will on average experience a bigger reduction.	Households in higher banded properties (typically couples) are more heavily impacted.

1.0 Introduction

Harborough District Council is reviewing its current Council Tax Support Scheme in 2017/18.

Policy in Practice has been commissioned to propose three alternative Council Tax Support (CTS) schemes for the council to consider, and to analyse their impact on residents and on council finances.

This report will provide information to inform members, assist the council in scheme evaluation, and help the council to meet its objectives for a new scheme.

1.1 Background and Objectives

Harborough District Council is part of the Leicestershire & Rutland Welfare Practitioners Group (LRWPG). The group has been directed by the Leicestershire Treasurers group to review the council tax support scheme and through co-operation, share best practice across Leicestershire and Rutland in the administration and processing of welfare benefits.

Group members are coordinating a review of the existing CTS schemes with a view to adopting new schemes with effect from 1st April 2017. The group has considered the implementation of a single, county-wide CTS scheme but it is not expected that the project will implement a single scheme due to the variations in the customer base. The overall aim is for some degree of consistent approach, but ultimately each council will be responsible for deciding its own scheme, in part reflecting local circumstances and objectives.

The objectives of Harborough, and the wider LRWPG project, are to:

- successfully review the current scheme and to implement changes to the scheme, on time and to budget;
- establish appropriate co-operation across Leicestershire councils directly affected by the project, whether or not currently responsible for local council tax support;
- identify and maximise opportunities for county-wide efficiency within the schemes;
- review their schemes with a view to reducing costs on the current schemes whilst meeting established principles i.e. protecting the most vulnerable and incentivising work.

1.2 Current scheme

The current scheme (2016/17) is modelled on the pre-2013 Council Tax Benefit scheme but with support capped at 85% for working-age households. All councils must retain this scheme in respect of pensioner households; therefore, modelling for revised schemes is for working age households only.

The cost of the current scheme is £2.70 m, with £1.00m spent on 1,409 working age households who could potentially be impacted by changes in CTS. The remaining £1.70m is spent on 1,899 pension age households who are fully protected from any changes in support.

1.3 Uprated scheme

Council Tax Liability has been modelled to increase by 3.99% in 2017/18. This will increase the costs of support by 3.81% to £2.81m, or £1.03m for working age households.

1.4 Proposed schemes

The proposed schemes modelled in this report are:

- Model 1 – Maximum Council Tax Support reduced to 70% for all households
- Model 2 – Maximum Council Tax Support reduced to 80% for all households

THE CUMULATIVE IMPACT OF WELFARE REFORM IN HARBOROUGH

- Model 3 – Introducing a band cap at band D, and a capital limit of £6,000

These schemes were agreed with the council and aimed at showing different ways in which you could the objectives could be met.

Each scheme aims to make savings but does so in varying degrees and has a corresponding impact on low income households.

The new schemes are modelled on the current scheme, which is in turn is a version of the original Council Tax Benefit scheme. The current scheme is retained for pensioners. This ensures that each of the proposed schemes can be administered effectively, without significant changes in administration.

There are no protected groups within the scheme itself, but there is a discretionary council tax hardship scheme to support households who may need additional support to pay their council tax. There are 255 lone parents with children under five and 432 households in receipt of ESA, DLA or Carer's Allowance, who may qualify for this type of support.

Migration to Universal Credit has not been included when modelling the specified schemes, as it is unlikely to have a significant impact in 2017/18.

2.0 Modelled schemes

We've summarised a selection of the main findings for each scheme here, along with a corresponding impacts.

An overview of each scheme can be found in Table 1 in the executive summary.

2.1 Model 1: Maximum Council Tax Support reduced to 70% for all working age households

Council tax support falls on average by £2.78 per week (£144.60/year) for working age households.

Looking at the effects of this scheme across different household groups, we observe a few variations. Households living in band C (or higher) properties, owner occupiers, couples with or without children and households receiving out-of-work benefits face the highest reduction in CTS, compared to the amount of support they would receive if the current scheme was maintained in 2017/18.

Annual cost of modelled scheme - working age households			
	Scheme Cost	Comparison to uprated current scheme cost	
	£/annum	Change (£/annum)	Change (%)
Working age	£822,882	-£203,736	-19.8%
Pension age	£1,781,241	£0	0.0%
Total	£2,604,122	-£203,736	-7.3%

Households currently in receipt of CTS				
Age group	No. households	Average CTS received	Change (£/week)	Change (%)
Working age	1,409	£11.23	-£2.78	-19.8%
Pension age	1,899	£18.04	£0.00	0.0%

Households currently in receipt of CTS				
Band	No. households	Average CTS received	Change (£/week)	Change (%)
A	520	£10.11	-£2.32	-18.7%
B	589	£11.09	-£2.76	-19.9%
C	185	£12.66	-£3.37	-21.0%
D	69	£14.32	-£3.75	-20.8%
EFG	46	£15.33	-£4.37	-22.2%

THE CUMULATIVE IMPACT OF WELFARE REFORM IN HARBOROUGH

Households currently in receipt of CTS				
Tenure type	No. households	Average CTS received	Change (£/week)	Change (%)
Social Tenant	835	£11.31	-£2.70	-19.3%
Private Tenant	397	£10.15	-£2.67	-20.9%
Owner Occupier	177	£13.28	-£3.40	-20.4%

Households currently in receipt of CTS				
Households type	No. households	Average CTS received	Change (£/week)	Change (%)
Single	592	£11.14	-£2.60	-18.9%
Lone Parent	558	£9.47	-£2.54	-21.1%
Couple no children	87	£15.08	-£3.59	-19.2%
Couple with children	172	£15.33	-£3.77	-19.7%

Households currently in receipt of CTS				
Economic status	No. households	Average CTS received	Change (£/week)	Change (%)
Employed	318	£5.97	-£2.35	-28.3%
Self-employed	94	£11.23	-£3.28	-22.6%
Out-of-work benefits	997	£12.91	-£2.87	-18.2%

2.2 Model 2: Maximum Council Tax Support reduced to 80% for all working age households

Scheme 2 models a reduction maximum support from 85% to 80% for all working age households. Our analysis finds that, under this scheme, council tax support falls on average £0.94 per week (£48.72/year) for working age households.

Similar to Model 1, households living in band C or higher properties, owner occupiers, couples with or without children and households receiving out-of-work benefits will face the highest drops in the level of support received.

THE CUMULATIVE IMPACT OF WELFARE REFORM IN HARBOROUGH

Annual cost of modelled scheme - working age households			
	Scheme Cost	Comparison to uprated current scheme cost	
	£/annum	Change (£/annum)	Change (%)
Working age	£957,966	-£68,653	-6.7%
Pension age	£1,781,241	£0	0%
Total	£2,739,206	-£68,653	-2.4%

Households currently in receipt of CTS				
Age group	No. households	Average CTS received	Change (£/week)	Change (%)
Working age	1,409	£13.07	-£0.94	-6.7%
Pension age	1,899	£18.04	£0.00	0.0%

Households currently in receipt of CTS				
Band	No. households	Average CTS received	Change (£/week)	Change (%)
A	520	£11.65	-£0.78	-6.3%
B	589	£12.92	-£0.93	-6.7%
C	185	£14.89	-£1.13	-7.1%
D	69	£16.81	-£1.26	-7.0%
EFG	46	£18.22	-£1.49	-7.5%

Households currently in receipt of CTS				
Tenure type	No. households	Average CTS received	Change (£/week)	Change (%)
Social Tenant	835	£13.10	-£0.91	-6.5%
Private Tenant	397	£11.92	-£0.91	-7.1%
Owner Occupier	177	£15.54	-£1.14	-6.8%

Households currently in receipt of CTS				
Household type	No. households	Average CTS received	Change (£/week)	Change (%)
Single	592	£12.87	-£0.87	-6.4%
Lone Parent	558	£11.14	-£0.86	-7.2%
Couple no children	87	£17.47	-£1.20	-6.4%
Couple with children	172	£17.85	-£1.26	-6.6%

THE CUMULATIVE IMPACT OF WELFARE REFORM IN HARBOROUGH

Households currently in receipt of CTS				
Band	No. households	Average CTS received	Change (£/week)	Change (%)
Employed	318	£7.50	-£0.82	-9.9%
Self-employed	94	£13.42	-£1.10	-7.6%
Out-of-work benefits	997	£14.82	-£0.96	-6.1%

2.3 Model 3: Introducing a band cap at band D, and a capital limit of £6,000 for all working age households

Council tax falls by an average of 42p per week (£21.66/year). 41 working age households would lose their support altogether, 21 of them due to the lower capital limit of £6,000. Owner-occupiers living in higher banded properties (E, F, G) are impacted the most.

Annual cost of modelled scheme - working age households			
Scheme cost		Comparison to uprated current scheme cost	
Age group	£/annum	Change (£/annum)	Change (%)
Working age	£996,094	-£30,524	-3.0%
Pension age	£1,781,241	£0	0%
Total	£2,777,335	-£30,524	-1.1%

Households currently in receipt of CTS				
Age group	No. households	Average CTS received	Change (£/week)	Change (%)
Working age	1,409	£13.60	-£0.42	-3.0%
Pension age	1,899	£18.04	£0.00	0.0%

THE CUMULATIVE IMPACT OF WELFARE REFORM IN HARBOROUGH

Households currently in receipt of CTS				
Band	No. households	Average CTS received	Change (£/week)	Change (%)
A	520	£12.16	-£0.27	-2.1%
B	589	£13.74	-£0.11	-0.8%
C	185	£15.83	-£0.19	-1.2%
D	69	£17.30	-£0.77	-4.3%
EFG	46	£13.36	-£6.35	-32.2%

Households currently in receipt of CTS				
Tenure type	No. households	Average CTS received	Change (£/week)	Change (%)
Social Tenant	835	£13.87	-£0.14	-1.0%
Private Tenant	397	£12.28	-£0.55	-4.3%
Owner Occupier	177	£15.27	-£1.42	-8.5%

Households currently in receipt of CTS				
Household type	No. households	Average CTS received	Change (£/week)	Change (%)
Single	592	£13.44	-£0.30	-2.2%
Lone Parent	558	£11.68	-£0.32	-2.7%
Couple no children	87	£17.60	-£1.08	-5.8%
Couple with children	172	£18.33	-£0.77	-4.0%

Households currently in receipt of CTS				
Economic status	No. households	Average CTS received	Change (£/week)	Change (%)
Employed	318	£7.74	-£0.58	-7.0%
Self-employed	94	£12.88	-£1.63	-11.2%
Out-of-work benefits	997	£15.53	-£0.25	-1.6%

3.0 Summary

3.1 Key considerations

This report was commissioned to support an informed debate about a new council tax support scheme for Harborough District Council and does not seek to provide recommendations.

Any decision on how to balance cost savings, administrative savings, equity, hardship and support for particular groups will obviously be informed by the council's specific priorities and objectives. You will also need to consider the impact on other council services and funding streams.

Each of these schemes is designed to illustrate the impact of changing certain aspects of Harborough District Council's council tax support scheme.

- Scheme 1 provides a spread of savings across all households, with support capped at 70% for working age households.
- Scheme 2 is similar, and provides a spread of savings across all households, with everyone paying 80%.
- Scheme 3 achieves moderate savings by limiting support to those living in larger houses, and those with savings above £6,000.

Certain households may see reduction because of factors that may suggest a lower need for support, e.g. higher savings, living in a larger property. However, the individual circumstances of households will vary, larger families may have higher needs, for example.

You need to think carefully about the level of savings required, alongside how best to achieve these savings given that some households will inevitably have some decrease. Also consider the impact of other welfare reforms, levels of arrears faced by households (and the council) and how council tax support interacts with national and other local support schemes. A dataset on the cumulative assessment of the impact of welfare reform in Harborough will follow from this report.

We hope this report helps to inform a debate and helps to clarify the role of CTS in supporting the council's priorities.

Some of the issues that the authority might wish to consider are listed below.

3.2 General considerations

Work incentives

In work support under Universal Credit will be significantly less generous than under the current benefit regime. The Local Government Association (LGA)¹ calculated that even before the Autumn Statement 2015, a third of welfare reform savings would be from the working poor. The authority may wish to consider the effects of possible further hardship to this group together with the effect on work incentives. Particularly vulnerable are the working poor who are also private tenants. This group is likely to migrate to Universal Credit at a faster rate than owner occupiers or social housing tenants. Private tenants show a significantly higher level of change of circumstances, resulting in a new claim and thus hastening migration to Universal Credit.

The self-employed are also likely to be affected by the move to Universal Credit as income will be assessed on the minimum wage rather than actual earnings. For many, this will result in benefit support based on a significantly higher notional income than is actually received by the household.

Protection of vulnerable groups

The LGA has calculated that at least 20% of welfare benefit savings will come from cuts in benefit to the disabled. As the local authority has a statutory duty to support vulnerable adults and children, it may wish to consider the impact on other services if there is further hardship to this group.

Tenants

At least 20% of welfare benefit savings have come from tenants. Currently, three quarters of this amount has been saved from private tenants, mostly through implementation of local housing allowances. The extension of local housing allowances to the social rented sector may see an increase in hardship for tenants in this sector. The LGA calculated that private tenants have already lost about £25 per week in benefits, while the figure for those in the social rented sector is about £14 per week. The authority may wish to consider the hardship implications of reduced support for these groups, particularly if tenants fall within more than one group shown to be especially hard hit by welfare reform. For example, 34% of private tenants receiving Housing Benefit are working and 33% of private tenants are in receipt of DLA/PIP or attendance allowance. The groups that have multiple risk factors will be at significant risk of hardship and non-payment of Council Tax if a CTS scheme reduces support over more than one of these areas.

Impact on other discretionary schemes

Any reduction in CT support is likely to have an impact on other discretionary schemes.

There may be more pressure on these schemes with the introduction of LHA to the social rented sector and the roll out of Universal Credit. The reduction in support through CTS should also be considered next to the impact of these changes.

¹ The local impacts of welfare reform. An assessment of cumulative impacts and mitigations. A report commissioned from the Centre for Economic and Social Inclusion by the Local Government Association. Tony Wilson, Gareth Morgan, Afzal Rahman, Lovedeep Vaid, August 2013

THE CUMULATIVE IMPACT OF WELFARE REFORM IN HARBOROUGH

Some of the impact of reduced CTS will continue to be managed through the existing discretionary scheme which has support from MBC, County Council, Police and Fire Authorities and provides targeted support to those in financial hardship.

CTS subsidy

Central government funding for CTS is predicted to fall, meaning that councils will increasingly need to meet scheme costs through other means. Subsidy for payment of CTS was initially set at 90% of forecast expenditure for the year 2014/15. Although funding for council tax support was identified within councils' overall Settlement Funding Assessment figures in 2013/14, from 2014/15 onwards it has not been possible to separately identify the level of funding to each council. A report by the LGA states that "although the government claims that the top level transfer indicates that CTS funding has not been cut further, in practice allocations to councils are reducing."² The LGA also calculates that if funding for CTS is reduced in line with overall funding to councils, there will be a reduction of 28% by 2017³.

Annex: Methodology and approach

Modelling is at the household level. We model the impact of each scheme on each affected household within the local authority.

Household data on current claimants has been supplied to Policy in Practice in the form of Housing Benefit and Council Tax Support (SHBE/CTS) data extracts. We convert this data into a format that can be used by their policy modelling software, the Universal Benefit and Budgeting Calculator. This software models the current benefit system, Universal Credit and other known changes to Minimum Wage, tax and benefits legislation. This allows for the cumulative impact of policy changes to be applied to each household. The impact on each household is then aggregated to show the impact on specific groups of households.

In order to enable comparison of modelled schemes against the current scheme in subsequent years, an agreed annual increase in council tax has been included. The rate of council tax increase used is 3.99%.

Migration to Universal Credit has not been included when modelling the specified schemes.

We have carried out analysis of the current scheme to ensure we have the same baseline as the council, and against the uprated current scheme for comparative purposes. For each model comparison of impact is made against the forecasted cost of the uprated current scheme in 2017/18, as requested by the council.

² Rewiring Public Services - Council Tax Support. Published by the Local Government Association

³ Rewiring Public Services - Council Tax Support. Published by the Local Government Association