

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee – 7 September 2023

Subject: Changes to Council Tax Support Scheme from April 2024

Report of: Deputy Chief Executive and City Treasurer

Summary

This report proposes changes to the Council's Council Tax Support Scheme. The changes are proposed so that the scheme remains fit for purpose in response to cost-of-living challenges and the transition of most working age residents in receipt of welfare benefits onto Universal Credit.

The report seeks approval from members to formally consult on the proposals that change the scheme.

Recommendations

The Committee is recommended to:

1. consider and comment upon the contents of the report and the steps being taken to continue to deliver a Council Tax Support Scheme that is cost effective and provides optimum support to low-income households within the available budget, and
 2. note that the outcome of the consultation will be reported back to Resources and Governance Scrutiny Committee and for approval by the Executive and Full Council in January 2024.
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Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The service seeks to operate in a way designed to avoid unnecessary travel by looking to provide services online, by phone or in the local area where possible.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

Consideration of equality, diversity and inclusion issues for Manchester residents have been taken into account in the development of the proposals. An Equality Impact Assessment has been completed.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The service operates policies and procedures developed to support the development of a thriving and sustainable city.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	The service operates policies and procedures developed to support the development and growth of home-grown talent within the service and across the city.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	This report provides proposals on providing support to residents on a low income helping to maintain conditions that make Manchester a progressive and equitable city.
A liveable and low carbon city: a destination of choice to live, visit, work	N/A
A connected city: world class infrastructure and connectivity to drive growth	N/A

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The proposed changes are intended to make the Council Tax Support Scheme more generous for working age households and easier and more cost effective to administer.

The proposed changes are estimated to cost c£700k - £770k.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

No background documents to include.

1. Introduction

- 1.1 This report outlines the background, options and recommendations for delivering a local Council Tax Support Scheme (CTSS) for the Council from 1 April 2024.
- 1.2 Most of the changes only affect working age claimants in receipt of Council Tax Support. Non-working age claimants (pensioners) are only affected by the proposed changes in point 4.2 where we are proposing to increase the maximum length of time we can backdate Council Tax Support.
- 1.3 While the government requires local authorities to design and administer their own local CTSS for working-age people with no maximum support requirements, councils are required by law to pay up to 100% Council Tax Support (CTS) for pension-age people.
- 1.4 The report also provides details of how consultation and Equality Impact Assessments will be carried out.

2. Impact on residents

- 2.1 The main change proposed will make the Council's CTSS more generous for working-age households. The current CTSS pays up to 82.5% of the Council Tax bill leaving 17.5% to pay. The proposed CTSS would pay up to 85% of the Council Tax bill leaving 15% to pay.
- 2.2 Extending the CTS backdating period for working-age claims from six-months to 12-months allows greater flexibility to support vulnerable residents and reduces avoidable requests for reconsiderations and appeals.

3. Background

3.1 Council Tax in Manchester

- 3.1.1 Bills are sent for over 228,000 Council Tax accounts amounting to more than £225 million each year. Of this around one third of residents receive financial support in the form of Council Tax Support totalling £44.973 million annually (figures at 31 May 2023, including precepting authorities charges). This is split between £28.941m working-age and £16.033m pension-age households.
- 3.1.2 Table 1 shows the property breakdown and benefit levels split across Council Tax bands (snapshot position as at 31 May 2023).

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Number of properties	136,144	42,415	36,912	19,847	6,694	3,185	1,259	145
Number of these that are empty	1,482	390	312	301	112	61	35	8
Number of working age households in receipt of partial Council Tax Support	3,445	644	337	76	24	6	1	0
Number of working age households in receipt of maximum Council Tax Support	23,975	2,679	1,071	230	61	12	3	0
Working age total	27,420	3,323	1,408	306	85	18	4	0
Number of pension age households in receipt of partial Council Tax Support	3,018	448	319	76	28	8	0	0
Number of pension age households in receipt of full Council Tax Support.	9,144	1,328	668	197	40	12	1	0
Pension age total	12,162	1,776	987	273	68	20	1	0

(Table 1)

3.2 Background to the current scheme

3.2.1 The localisation of Council Tax Support Schemes (CTSS) was announced in the 2010 Spending Review and in April 2013 Government transferred administration and responsibility of the Council Tax Benefits (CTB) system from DWP to Local Authorities with the stated aim of giving councils stronger incentives to cut fraud and get people back into work.

3.2.2 The CTSS was funded with a 10% reduced budget in 2013/14, with each authority designing and implementing a localised scheme and holding responsibility for any shortfall or surplus on the CTS budget. To achieve savings Manchester designed a CTS scheme which required all working age claimants to contribute to their net Council Tax liability (ranging from 8.5% in 2013/14 to 17.5% in 2018/19).

3.2.3 In April 2014 CTS funding was rolled into the Revenue Support Grant (RSG), where it has been assumed CTS has reduced year on year in line with the cuts to Manchester's Settlement Funding Assessments (SFA).

3.2.4 As at 31 May 2023, the notional 2023/24 CTS funding from Government is estimated at £24.159m, while the cost of the scheme is £44.973m, giving rise to a funding gap of £20.814m.

3.2.5 Table 2 below has been produced by the Council and models the loss in funding since 2012/13 due to CTS.

Manchester CTS Scheme - reduced in proportion to SFA	2012/13	2013/14	2019/20	2020/21	2021/22	2022/23	2023/24*
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CTB / CTS Scheme Funding	(42,310)	(37,390)	(22,281)	(22,644)	(22,674)	(22,846)	(24,159)
CTS Transition Grant	-	(997)	-	-	-	-	-
Total Govt funding	(42,310)	(38,387)	(22,281)	(22,644)	(22,674)	(22,846)	(24,159)
<i>SFA reduction applied %</i>			(5.2%)	1.6%	0.1%	0.8%	5.7%
Council Tax foregone	42,310	39,849	38,896	42,617	42,789	42,664	44,973
Net Loss (incl preceptor)	0	1,462	16,615	19,973	20,115	19,818	20,184

(Table 2) *forecast as at 31 May 2023

3.3 Manchester's previous CTS schemes

3.3.1 The schemes for working age residents have allowed for a maximum award based on the available budget and the savings that have had to be made to help the Council deliver a balanced budget.

3.3.2 2013/14 Scheme

The Council received a transitional award and Council Tax Support was based on a maximum of 91.5% of the amount due meaning that all working age claimants had to pay at least 8.5% of their liability.

3.3.3 2014/15 to 2016/17 (3 years)

Council Tax Support was based on a maximum of 85% of the amount due meaning that all working age claimants had to pay at least 15% of their liability.

3.3.4 2017/18 to 2018/19 (2 years)

Council Tax Support was based on a maximum of 82.5% of the amount due meaning that all working age households had to pay at least 17.5% of their liability.

3.3.5 It should be noted that pension age households are protected by government and are entitled to support for up to 100% of their Council Tax liability.

3.4 Manchester's current CTS scheme

3.4.1 2019/20 to present (5 years)

As with the 2017/18 – 2018/19 CTSS Council Tax Support was based on a maximum of 82.5% of the amount due meaning that all working age households have to pay at least 17.5% of their liability.

3.4.2 Manchester's current CTSS for working-age households who are not on Universal Credit continues to be based on the default provisions offered by the government in 2012 and where possible uses the DWP assessment of income and needs, minimising the need for further means-testing by the local authority.

3.4.3 The difference is that from 2019/20 the Council introduced a banded scheme for working-age households who are on Universal Credit (see Table 3).

Current bands and award levels

Income Band	CTS Award
No excess Income	82.5%
Excess income £0.01 to £25.00	70%
Excess income £25.01 to £50.00	45%
Excess income £50.01 to £75.01	30%
Excess income £75.01 to £80.00	12%
Excess income over £80.00	Nil award

(Table 3)

3.5 Reasons for introducing a banded scheme

3.5.1 The main drivers for and advantages of operating the banded scheme were:

- Avoiding frequent trivial changes in Universal Credit (UC), thereby reducing,
 - The need to reassess entitlement and issue CTS notification letters
 - The volume and cost of rebilling for Council Tax
 - The need to re-profile payments and changes to direct debits and standing orders
 - Impacts on ‘current year charge’ recovery work
- A new claim for UC is treated as a claim for CTS (provided where the UC claimant has told DWP that they want to claim Council Tax Support)

3.5.2 The banded scheme was also designed with the aim of smoothing the ‘cliff edge’ for households when moving between income bands or becoming overscale for CTS.

4. Options for consideration

The following changes are offered for consideration.

4.1 Increase the maximum CTS award to 85% for working-age households

4.1.1 Increasing the maximum amount of CTS for working-age households from 82.5% to 85% and increasing the UC bands by 2.5% in alignment offers greater support for many of Manchester’s poorest households.

4.1.2 Tables 4a. and 4b. show the current 2023/24 Council Tax charges and the amount left to pay after the maximum 82.5% CTS award is applied; and the amount left to pay if a maximum 85% CTS award was in operation.

Property CTax Band	2023/24 bill (full charge)	Amount to pay after 82.5% CTS award	Amount to pay after 85% CTS award	Reduction in amount to pay in year
Band A	£1,313.00	£229.78	£196.95	£32.83
Band B	£1,531.83	£268.07	£229.77	£38.30
Band C	£1750.67	£306.37	£262.60	£43.77
Band D	£1,969.50	£344.66	£295.43	£49.24
Band E	£2,407.16	£421.25	£361.07	£60.18
Band F	£2,844.82	£497.84	£426.72	£71.12
Band G	£3,282.50	£574.44	£492.38	£82.06
Band H	£3,939.01	£689.33	£590.85	£98.48

(Table 4a.)

Property CTax Band	2023/24 bill (single-person charge)	Amount to pay after 82.5% CTS award	Amount to pay after 85% CTS award	Reduction in amount to pay in year
Band A	£984.75	£172.33	£147.71	£24.62
Band B	£1148.87	£201.05	£172.33	£28.72
Band C	£1313.00	£229.78	£196.95	£32.83
Band D	£1477.13	£258.50	£221.57	£36.93
Band E	£1805.37	£315.94	£270.81	£45.13
Band F	£2133.62	£373.38	£320.04	£53.34
Band G	£2461.88	£430.83	£369.28	£61.55
Band H	£2954.26	£517.00	£443.14	£73.86

(Table 4b.)

4.1.3 Table 5 shows the Council Tax Support Universal Credit banded scheme and the amount of Council Tax left to pay for a property in Band A. The figures are for the current scheme and for the proposed 2.5% increase in CTS.

Band of income	Current support	Amount to pay after CTS award	Proposed 2.5% increase in CTS	Amount to pay after CTS award
£0.00 over applicable amount	82.5% of Council Tax	£229.73	85%	£196.95
£0.01 to £25 over	70%	£393.90	72.5%	£361.08
£25.01 to £50 over	45%	£722.15	47.5%	£689.33
£50.01 £75 over	30%	£919.10	32.5%	£886.23
£75.01 to £80 over	12%	£1,155.44	14.5%	£1,122.61
£80.01 over	No Support		No support	

(Table 5)

4.1.4 Table 6 shows the cost of increasing CTS to 85% and the UC bands by 2.5% based on individual data on the 2023/24 Council Tax levels and the number of claimants as at 1 June 2023. It shows the Council's share of the cost at

£699,682 (excluding the Police and Crime Commissioner, GM Fire & Rescue and Mayoral preceptors based on the 2023/24 Council share at 82.17% of the 2023/24 bill).

2023/24 CTS Caseload	No. of cases	Current cost as at 1 June 2023	Revised Cost of CTSS/UB bands +2.5%	Increase in Cost (incl preceptors)	Increase in Cost to Council only
Working Age UC	18,747	£15,800,548	£16,272,625	£472,077	£387,885
Working Age Non-UC	13,808	£12,284,132	£12,663,607	£379,475	£311,798
Pension Age*	15,315	£15,924,840	Nil	Nil	Nil
Total	47,870	£44,009,520	£28,936,232	£851,552	£699,682

(Table 6) *Pension age claimants are already in receipt of 100% CTS

4.1.5 Table 7a. shows the cost of increasing the CTSS offer by 2.5% (based on individual system data) with a 2.99% increase in Council Tax (the Council's share only). The Government will confirm the referenda limits for 2024/25 Council Tax increases later in the year, usually in either the Chancellor's Autumn Statement or Provisional Finance Settlement in December. This shows an increase in cost of £720,603.

2024/25 at 2.99% increase (MCC share only)	No. of cases	2023/24 costs (MCC only)	2024/25 (+2.99% Ctax increase)	Plus cost of CTSS/UC bands +2.5%	Overall increase from 2023/24	Increase due to +2.5% CTSS offer
Working Age UC	18,747	£12,982,603	£13,370,783	£13,770,265	£787,662	£399,482
Working Age Non UC	13,808	£10,093,321	£10,395,112	£10,716,232	£622,911	£321,120
Pension Age	15,315	£13,084,728	£13,475,962	£13,475,962	£391,233	Nil
Total	47,870	£36,160,653	£37,241,856	£37,962,459	£1,801,806	£720,603

(Table 7a)

4.1.6 Table 7b shows the cost of increasing the CTSS offer by 2.5% (based on individual system data) with a 4.99% increase in council tax on the Council's share only. This shows a cost of £734,596.

2024/25 at 4.99% increase (MCC share only)	No. of cases	2023/24 costs (MCC only)	2024/24 (+4.99% Ctax increase)	Plus cost of CTSS/UC bands +2.5%	Overall increase from 2023/24	Increase due to +2.5% CTSS offer
Working Age UC	18,747	£12,982,603	£13,630,435	£14,037,675	£1,055,072	£407,240
Working Age Non UC	13,808	£10,093,321	£10,596,978	£10,924,335	£831,013	£327,356
Pension Age	15,315	£13,084,728	£13,737,656	£13,737,656	£652,928	Nil
Total	47,870	£36,160,653	£37,965,069	£38,699,666	£2,539,013	£734,596

(Table 7b)

4.1.7 Appendix 1 provides examples of how increasing the maximum level of CTS from 82.5% to 85% may apply in certain scenarios.

4.2 Backdating

4.2.1 The Council's CTSS currently allows backdating of up to six months. Cases may also be backdated for up to six months in cases where Universal Credit has been awarded or changed and the new award means the claimant qualifies for CTS.

4.2.2 Extending the backdating period for up to one year, where the applicant shows good cause, would allow more Council Tax arrears to be cleared for some residents who have struggled to manage their finances and debts. In 2022/23 we backdated 1,727 CTS cases. Of these 162 were pension-age cases and 1,565 were working-age cases. The total cost of backdating last year was £115,000. Most cases do not need backdating for the full six months to award the additional eligible period of CTS. On this basis it is unlikely we would be required to backdate many cases for a full year if we introduced this change.

4.2.3 Extending backdating for CTS cases to 12 months may increase our backdating costs by 20%. This would increase the costs for backdating to £138,000. If we increase CTS awards to 85% and increase Council Tax by 4.99% then the cost for backdating cases would rise to approximately £150,000.

5. Consultation

5.1 The Council has a duty to consult on its local Council Tax Support scheme. This includes the precepting authorities in Greater Manchester (the Fire and Police).

5.2 Following consultation with the precepting authorities the consultation is planned to take place across six weeks between 2 October 2023 and 12 November 2023.

- 5.3 The consultation process will be delivered by means of an online questionnaire; 30,000 paper forms issued to Manchester households; and 1,300 paper forms made available to members and through libraries and housing offices.
- 5.4 The results and appraisal of the consultation responses along with the final proposals will be bought back for comment by the Resources and Governance Scrutiny Committee and for approval by the Executive and Full Council in January 2024.

6. Equality Impact Assessments

- 6.1 The Council is undertaking a comprehensive Equality Impact Assessment of the proposals. The assessment will consider in detail what impact the proposals could have on the nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
- 6.2 The results and appraisal of the consultation responses along with the final proposals bought back for comment by the Resources and Governance Scrutiny Committee and for approval by the Executive and Full Council in January 2024 will be accompanied by the Equality Impact Assessment.

7. Key Policies and Considerations

7.1 Risk Management

- 7.1.1 There is a risk of increased demand and budget pressure resulting from an increase in households needing assistance or existing claimants' income reducing.
- 7.1.2 The future demand and impact cannot be determined with any certainty so will be subject to ongoing review in developing and adapting the scheme cognisant of budget restrictions.

7.2 Legal Considerations

- 7.2.1 The Council is under a duty to consult on any substantive changes to its Council Tax Support Scheme, and it is important that such consultation takes place at a time when proposals are still at a formative stage and gives sufficient reasons for any proposal to permit a person to give an informed response. Adequate time must be given for consideration and response, and the product of consultation must be conscientiously taken into account in finalising any proposals. As set out in the report it's also important that the Council carries out an Equality Impact Assessment of the proposals.

8. Conclusions

- 8.1 The estimated additional cost to the Council, based on current caseload figures, of moving to a CTS scheme in 2024/25 with a maximum CTS Award of 85% for working-age households and adjusting the UC excess income bands upwards by 2.5% to maintain parity, is £699,682.
- 8.2 Applying an assumed 2.99% increase in Council Tax across the working-age and pension-age caseload indicates a total additional cost to the Council in 2024/25 of £720,603.
- 8.3 Applying an assumed 4.99% increase in Council Tax across the working-age and pension-age caseload indicates a total additional cost to the Council in 2024/25 of £734,596.
- 8.4 Extending the backdating period from six-months to 12-months carries an estimated cost to the Council of £35k in 2024/25, allows greater flexibility to support vulnerable residents and reduces avoidable requests for reconsiderations and appeals.

9. Recommendations

- 9.1 Scrutiny Committee is requested to:
 1. Consider and comment upon the contents of the report and the steps being taken to continue to deliver a Council Tax Support Scheme that is cost effective and provides optimum support to low-income households within the available budget.
 2. Note that the outcome of the consultation will be reported back to Resources and Governance Scrutiny Committee and for approval by the Executive and Full Council in January 2024.