

COUNCIL

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COUNCIL TAX REDUCTION SCHEME

Portfolio Holder: Councillor Rupert Turpin – Business Management

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Summary

This report seeks the adoption of a revised local council tax reduction scheme by Full Council for 2018/19.

Please note that Appendices 1-7 are set out in Supplementary Agenda No.1.

1. Budget and Policy Framework

1.1 It is the Cabinet's responsibility to propose a budget to be agreed by Council. The scope of the localised Council Tax Reduction Scheme (CTRS) will have an impact on both the tax base calculation and the budget requirement that underpin the budget proposal. The consequences of dealing with these issues will directly impact on the level of council tax. Approval of the CTRS is a matter for Full Council.

2. Background

2.1 The current Medway scheme is available from the following link
<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=3358>

2.2 Key aspects of the CTRS are:

- Any entitlement to a reduction is based on a means test, by taking into consideration a customer's income and comparing this with any personal allowances, premiums and disregards to which they may be entitled.
- Claimants of pensionable age or those in receipt of a war widow or war disablement pension can claim, and may be entitled to, a maximum reduction of 100 per cent of their council tax liability.
- Claimants of working age can claim and may be entitled to a maximum of 65 per cent of their council tax liability from the 1 April 2016. This was

determined by full council on 21 January 2016 (decision number 677/2016) following a public consultation.

- A minimum deduction is made in respect of non-dependants to include any such person in the household, aged 18 years or more
- 2.3 For each financial year, the Council must consider whether to revise its scheme or to replace it with a replacement scheme. It must make any revision to its scheme, or any replacement scheme, by no later than 31 January for the subsequent financial year. Revisions to the CTRS or a replacement CTRS must be the subject of consultation. The CTRS is in place for the period 1 April – 31 March each year.
- 2.4 In order to maintain the balance between the council tax reduction scheme and the allowances to which claimants are entitled Council amended the original scheme on 23 January 2014, following public consultation, so that it is updated on an annual basis in line with national changes (decision number 748/2014).
- 2.5 The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2017 (SI 2017/1305) and The Pensions Act 2014 (Consequential, Supplementary and Incidental Amendments) Order 2017 (SI 2017/422) have been incorporated into the scheme and include matters which must be contained within the local authority scheme. This instrument introduces amendments to increase certain of the figures in the Prescribed Requirement Regulations. This instrument also makes various amendments to the Prescribed Requirements Regulations in order to mirror, as far as possible, the Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006 (S.I. 2006/214) “the 2006 Regulations” . A copy of SI2017/1305 is at appendix 1, a copy of SI 2017/422 is available at appendix 2.
- 2.6 The Department for Work and Pensions Housing Benefit Adjudication circular A10/2017 which is in accordance with The Welfare Benefits Up-rating Act 2013 (Commencement Order 2013) No. 2317 (C.95) states no increase to personal allowances for 2017/18 for working age claimants Officers expect the circular to be confirmed around the end of January by The Welfare Benefits Up-rating order. A copy of the circular is at appendix 3.
- 2.7 On 11 July 2017 the Cabinet considered a report setting out the merits of further amending the CTRS. The proposals considered were:
- Making amendments to mirror changes to the national housing benefit regulations and prescribed requirements for pension age CTRS claims
 - Making amendments in preparation for the full roll out of Universal Credit
 - Making amendments for other welfare reforms
 - Introduction of a de-minimus limit
- 2.8 Cabinet agreed to the commencement of a twelve week consultation in relation to these proposals (decision number 68/2017).

3. Advice and Analysis

3.1 Consultation

3.1.1 Consultation took place from 11 August 2017 to 6 November 2017.

3.1.2 Letters were sent to 20,821 households (all 18,121 CTRS recipients and a random sample of 2,700 non recipients) inviting them to participate in the consultation.

3.1.3 In total 485 survey questionnaires were completed and returned in a timely fashion either by paper or electronically.

3.1.4 A detailed breakdown of the survey results which includes a copy of the questionnaire and additional comments is contained at appendix 4.

3.1.5 In summary, the largest group of respondents agreed that

- the amount of time a claimant can be away from home and outside of Great Britain before their Council Tax Reduction claim is stopped should be changed from 13 weeks to 4 weeks
- any claimant who is in receipt of the family premium as of 31 March 2018 should continue to get the family premium until they make a new claim or they no longer have responsibility for a child or young person
- the number of children who can be included in a Council Tax Reduction assessment should be limited to 2 for all new claims from 1 April 2018
- the number of children who can be included in a Council Tax Reduction assessment should be limited to 2 for any existing claims where a third or subsequent child is born or joins the household from 1 April 2018
- bereavement support payments should not be included as income when working out how much Council Tax Reduction someone can get
- Council Tax Reduction payments should include a de-minimis limit

3.1.6 The largest group of respondents disagreed that

- the amount of time that Council Tax Reduction claims can be backdated for should be reduced from 6 months to 1 month
- from 1 April 2018 the family premium should no longer be awarded for any new Council Tax Reduction claims
- the family premium should no longer be awarded to existing Council Tax Reduction claimants who become responsible for a child for the first time on or after 1 April 2018
- an extra allowance should no longer be added to the applicable amount when a person is placed into the Employment and Support Allowance Work Related activity Group by the DWP

- the Severe Disability Premium should not be included when calculating the amount of council tax reduction if someone receives Universal Credit with a carers element for caring for the Council Tax Reduction claimant

3.2 Other factors

3.2.1 When considering making changes to this scheme it is necessary in the first instance to review how successful the existing policy has been since it came into effect on 1 April 2013 and as such the following factors have been considered:

Factor	Actuals as at 31/03/14	Actuals as at 31/3/15	Actuals as at 31/3/16	Actuals as at 31/3/17	Actuals as at 31/10/17
Pensioner caseload	8,705	8,283	7,857	7,452	7,279
Working age caseload	13,261	12,336	11,939	11,203	10,852
Total caseload	21,966	20,619	19,796	18,655	18,131
Cost of scheme	£15,538k	£14,771k	£14,064k	£12,835k	£13,038k
Number of appeals received	43 (2 listed for tribunal and won)	50 (0 listed for tribunal)	42 (2 listed for tribunal 1 struck out and 1 withdrawn)	60 (4 listed for tribunal 2 struck out 1 withdrawn and 1 decision upheld)	42 (3 listed but not yet heard)
Discretionary council tax relief awards	£8.9k	£7.7k	£4.8k	£6.5k	£2.2k
Council tax collection rate 2013/14	95.4%	97.7%	98.7%	98.9%	99.2%
Council tax collection rate 2014/15	N/A	95.3%	97.8%	98.4%	98.91%
Council tax collection rate 2015/16	N/A	N/A	95.5%	97.0%	97.7%
Council tax collection rate 2016/17	N/A	N/A	N/A	96.3%	53.8%*(compared to 54.26% for 2016/17 as at 30/09/17)
Number of summonses issued for non-payment	13,485	13,588	12,619	10,930	9,865 (compared to 8,523 as at 31/10/16)

*as at 30/9/17

- 3.3 The above shows that the collection rate remains on course and the cost of the scheme remains within expected parameters.
- 3.4 Since 1 April 2013 when the initial CTRS started, the caseload has fallen consistently from 22,990 to 18,131.
- 3.5 The number of appeal cases remains a very minor proportion of the overall caseload.
- 3.6 A Diversity Impact Assessment (DIA) (attached at appendix 5) was undertaken in November/December 2017. This assessment identified a number of potential adverse impacts together with some mitigating factors that were incorporated into the scheme. It was also noted that any inequality issues arising from the CTRS can be mitigated through the use of Medway's Council Tax Discretionary Relief (CTDR).
- 3.7 Ongoing monitoring shows that between April 2016 and March 2017 4,404 summons were issued to 31,524 accounts in receipt of CTRS
- 3.8 Officers will continue to monitor the impact of the scheme on individuals.
- 3.9 The proposed amendments were made in order to align the working age CTRS with the nationally set pension age CTRS & HB schemes as well as other welfare reforms. Running different schemes would cause confusion for both claimants and administrators of the schemes.
- 3.10 In conclusion, it is recommended that the CTRS be amended to reflect all those changes consulted upon and summarised at 3.1.5 and 3.1.6 as the need to align all schemes outweighs the arguments for not doing so. The recommendation is also made in the knowledge that the Discretionary Council Tax Relief scheme exists to protect any individuals for whom payment of council tax is causing hardship.

4. Cabinet - 19 December 2017

- 4.1 The Cabinet considered this report on 19 December 2017 and made the following decisions:
 - 4.1.1 The Cabinet recommended the Council Tax Reduction Scheme to Council for adoption on 25 January 2018, including the amendments to the Scheme set out in paragraph 3.10 of the report (decision no. 138/2017).
 - 4.1.2 The Cabinet agreed to amend the risk rating for likelihood of an effect on collection, as set out in section 4 of the report from B (High) to D (Low) (decision no. 139/2017).

5. Risk management

Risk	Description	Action to avoid or mitigate risk
Forecast cost of scheme falls short of estimate	Likelihood D (Low) Impact 3 (Marginal) Claimants may have reduced benefits 'unnecessarily'	Use of data modelling tools and data analysis
Forecast cost of scheme excessive	Likelihood D (Low) Impact 2 (Critical)	Use of data modelling tools and data analysis
Effect on collection	Likelihood D (Low) Impact 2 (Critical) Dependent on method of funding, but new scheme likely to produce small debts and debtors who have not had to pay before	Quick and efficient recovery processes

6. Financial and legal implications

- 6.1 The Council is under a legal duty under Schedule 1A to the Local Government Finance Act 1992 to consider each year whether to revise its council tax reduction scheme or to replace it with another scheme. Schedule 1A also provides that any revision to the scheme, or any replacement scheme, must be made no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 6.2 The cost of the recommended CTRS in 2018/19 including a 5.99% increase in council tax (2.99% 'annual' increase plus 3.00% levy for social care) is currently estimated at £13.704m. It is likely that the cost will fall below this figure as caseloads continue to fall and new claims, taking into account the recommended changes to the scheme, take effect. It is not possible, however, to accurately predict how many new claims might, for example, become subject to the two children limit and as such the financial impact cannot be modelled at this time.
- 6.3 Since the introduction of CTRS in 2013/14 the Council has awarded hardship relief of £30.1k under its Council Tax Discretionary Relief (CTDR) scheme. £70,000 was set aside in 2013/14 (this was included when calculating the collection rate in setting the 2013/14 council tax) and as such spending remains within budget.
- 6.4 A revised Council Tax Reduction Scheme is set out at appendix 6 to the report. A summary of uprating changes is at appendix 7.

7. Recommendation

- 7.1 That Council approves the revised Council Tax Reduction Scheme, as set out in appendix 6 to the report.

Lead officer contact

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Appendices (Supplementary Agenda No.1)

Appendix 1 – The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2017 (SI 2017/1305)

Appendix 2 – The Pensions Act 2014 (Consequential, Supplementary and Incidental Amendments) Order 2017 (SI 2017/422)

Appendix 3 – The Department for Work and Pensions Housing Benefit Adjudication circular A10/2017

Appendix 4 – Results of consultation

Appendix 5 – Diversity Impact Assessment

Appendix 6 – Council Tax Reduction Scheme

Appendix 7 – Summary of figures

Background Papers:

None