

CABINET

14 JANUARY 2020

COUNCIL TAX REDUCTION SCHEME

Portfolio Holder: Councillor Rupert Turpin, Portfolio Holder for Business Management

Report from: Phil Watts, Chief Finance Officer

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Summary

This report seeks members' approval of the re-adoption of the existing local council tax reduction scheme by Full Council for 2020/21.

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 taxbase 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/ielIssueDetails.aspx?IId=23733&Opt=3>

2.2 The scheme consists of two parts: the first makes provision for non-pensioners and is at Members' discretion, and the other makes provision for pensioners that is made on a national basis and in line with previous awards of council tax benefit.

2.3 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 refers) 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.

2.4 For each financial year, the Council must consider whether to revise its scheme or to replace it with a replacement scheme. Revisions to the CTRS or a replacement CTRS must be the subject of consultation.

2.5 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 24 January 2014, following public consultation, so that it is uprated on an annual basis in line with national changes (decision number 748/2014 refers). The April 2020 allowances are not due to be announced until January 2020 and will be included in the Council report that follows on from this Cabinet report. However, the uprating intentions for 2020/21 have been announced and are included at Appendix 1 to the report. Other than the annual uprating, there are no proposed changes to the CTRS for 2020/21.

3. Advice and Analysis

3.1 When considering making changes to this scheme it was necessary in the first instance to review how successful the existing policy had 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 31/03/15	Actuals as at 31/03/16	Actuals as at 31/03/17	Actuals as at 31/03/18	Actuals as at 31/03/19	Actuals as at 31/10/19
Pensioner caseload	8,705	8,283	7,857	7,452	7,095	6,765	6,663
Working age caseload	13,261	12,336	11,939	11,203	10,726	10,061	9,624
Total caseload	21,966	20,619	19,796	18,655	17,821	16,826	16,287
Cost of Scheme £'000s	15.538	14.771	14.064	12.835	12.859	12.992	12.865
Number of Appeals received	43	50	42	60	56	42	26
...of which							
Listed for tribunal	2	0	2	4	3	2	5
Held in favour of council	2	0	0	1	1	0	2
Held in	0	0	0	0	1	1	0

Factor	Actuals as at 31/03/14	Actuals as at 31/03/15	Actuals as at 31/03/16	Actuals as at 31/03/17	Actuals as at 31/03/18	Actuals as at 31/03/19	Actuals as at 31/10/19
favour of claimant							
Struck out / Withdrawn	0	0	2	3	1	1	1
Discretionary council tax relief awards	£8.9k	£7.7k	£4.8k	£6.5k	£4.0k	£9.5k	£6.2k
Council tax collection rate 2013/14	95.4%	97.7%	98.7%	98.9%	99.3%	99.4%	99.5%
Council tax Collection Rate 2014/15	N/A	95.3%	97.8%	98.4%	99.1%	99.3%	99.4%
Council tax collection rate 2015/16	N/A	N/A	95.5%	97.0%	98.6%	99.0%	99.1%
Council tax collection rate 2016/17	N/A	N/A	N/A	96.3%	97.8%	98.5%	98.7%
Council tax collection rate 2017/18	N/A	N/A	N/A	N/A	95.7%	97.7%	98.1%
Council tax collection rate 2018/19	N/A	N/A	N/A	N/A	N/A	95.5%	97.0%
Council tax collection rate 2019/20 (as at 31/10/19)	N/A	N/A	N/A	N/A	N/A	N/A	63.6% (62.9%*)
Number of summonses issued for non payment	13,485	13,588	12,619	10,930	12,723	12,541	10,084 (10,018*)

* Comparison given is for 2018/19 as at 31/10/2018

- 3.2 The above shows that the initial levels of recovery action has not been maintained whilst the collection rate remains on course and the cost of the scheme remains within expected parameters.

- 3.3 Since 1 April 2013 when the initial CTRS started, the caseload has fallen consistently from 22,990 to 16,287 (31 October 2019).
- 3.4 The number of appeal cases is a very minor proportion of the overall caseload.
- 3.5 A Diversity Impact Assessment (DIA) (attached at Appendix 2 to the report) has been undertaken. This assessment identified a number of potential adverse impacts together with some mitigating factors that were incorporated into the current 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).
- 3.6 In accordance with the DIA officers will continue to monitor the impact of the scheme on individuals as in table 3.1. Additionally, ongoing monitoring shows that between April 2018 and March 2019, 4,135 summonses were issued to customers in receipt of CTRS compared to 4,153 summonses issued in the previous year. It therefore seems commensurate when compared to total summonses issued.

4. 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 B (High) Impact 2 (Critical) Potential for arrears not to be cleared within the relevant financial year leading to delays in collecting the following year's liability.	Quick and efficient recovery processes Annual uprating provided within the scheme to maximise claimants income

5. Financial and legal implications

- 5.1 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 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

- 5.2 The cost of the recommended CTRS in 2020/21 including a maximum 3.99% increase in council tax is currently estimated at £13.379m. However, it is likely that the cost will fall below this figure as caseloads continue to fall.
- 5.3 Since the introduction of CTRS in 2013/14 the Council has (as at 31/10/19) awarded hardship relief of £47,607 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. Recommendation

- 6.1 The Cabinet is asked to recommend the current Council Tax Reduction Scheme (which will therefore be subject to annual uprating) to Council for adoption on 23 January 2020.

7. Suggested reasons for decisions

- 7.1 The scheme continues to balance the need for supporting those currently in receipt of CTRS and the ability of the Council to fund the scheme within the current budgetary constraints.
- 7.2 The Council's Council Tax Discretionary Relief scheme provides additional support in the case of hardship.

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Appendices

Appendix 1 - Uprating intentions 2020/21
Appendix 2 - Diversity Impact Assessment

Background Papers

None