

COUNCIL

23 FEBRUARY 2023

COUNCIL TAX REDUCTION SCHEME 2023 - 2024

Portfolio Holder: Councillor Gary Hackwell, Portfolio Holder for Business Management

Report from: Phil Watts, Chief Operating Officer

Author: Katey Durkin, Chief Finance Officer
Gemma Gilley, Head of Benefits and Financial Welfare

Summary

This report informs the Council of proposed changes to the Council Tax Reduction Scheme for 2023/24. Council is asked to consider and approve the proposed CTRS.

The report was previously considered by the Cabinet on 7 February 2023, the decision of which is set out at section 4 of the report.

1. Budget and policy framework

- 1.1. Section 13A(1)(a) of the Local Government Finance Act 1992 prescribes that Medway Council is required to have a Council Tax Reduction Scheme (CTRS) that is approved annually by Full Council.
- 1.2. 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. Any revision to the CTRS or a replacement CTRS must be the subject of consultation.

2. Background

- 2.1. Council Tax Benefit was abolished as a national benefit and Councils were required to establish local support for Council Tax from April 2013 and Medway implemented the Council Tax Reduction Scheme (CTRS). During 2021, the Council consulted on a new banded scheme which was introduced from 1 April 2022, following full Council approval on 24 February 2022.

- 2.2. The scheme and operation have been reviewed and no significant changes are proposed, other than those prescribed in law or changes that are already permissible within the parameters of the currently agreed scheme.
- 2.3. The current scheme provides approximately £13.5million of support by reducing Council Tax liabilities for those eligible. Elsewhere on this agenda, the Proposed Budget for 2023/24 includes a proposal to increase the Council Tax for Medway by 4.994%. If that recommendation is accepted by Council, the cost of Medway's CTRS scheme will increase by an estimated £675,000.

3. Options

- 3.1. Our current scheme prescribes within Schedule 1, that the authority may increase the income bands within the scheme on an annual basis by the appropriate level of inflation. The level is measured by the Consumer Price Index (CPI) at 1 October preceding the effective financial year, rounded to the nearest pound. The CPI for October 2022 was 11.1%.
- 3.2. Currently the income bands within the scheme are set as follows; all income bands relate to income received per week:

Band/Discount percent	Single person	Couple with no children or young person	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
Band 1* 65%	£0 to £94.99	£0 to £129.99	£0 to £179.99	£0 to £239.99
Band 2 55%	£95 to £139.99	£130 to £174.99	£180 to £229.99	£240 to £289.99
Band 3 45%	£140 to £184.99	£175 to £219.99	£230 to £279.99	£290 to £339.99
Band 4 35%	£185 to £229.99	£220 to £264.99	£280 to £329.99	£340 to £389.99
Band 5 20%	£230 to £269.99	£265 to £309.99	£330 to £379.99	£390 to £449.99
Band 6 0%	£270+	£310+	£380+	£450+

*Where any applicant or their partner are in receipt of Income Support, Income-Based Jobseeker's Allowance or Income-Related Employment and Support Allowance, a Band 1 discount will be given.

- 3.3. In his written statement to Parliament on 17 November 2022, the Secretary of State for the Department for Work and Pensions announced proposals for the social security benefit rates which will apply for 2023. The main points are:
- 3.3.1. the basic State Retirement Pension and the full rate of the new State Retirement Pension are being uprated by 10.1% in line with the Consumer Prices Index (CPI) in the financial year ending (FYE) March 2024;

- 3.3.2. the Standard Minimum Guarantee in Pension Credit is being increased by 10.1% this year to match the cash increase in the basic State Pension. The Savings Credit maximum is increased by CPI at 10.1% in FYE March 2024;
- 3.3.3. premiums paid to pensioner recipients of Working Age benefits will continue to be uprated to match Pension Credit rates;
- 3.3.4. premiums paid to disabled people receiving working age benefits and to Employment and Support Allowance claimants in the Support Group, will increase by CPI at 10.1% in FYE March 2024; and
- 3.3.5. Working Age benefits (main rates and certain premiums and additions) will increase by the CPI at 10.1% from April 2023.

3.4. **Option 1: Retain the current Income Bands**

- 3.4.1. If Medway were to retain the current income bands, some claimants will find that their incomes increase by 10.1% which could cause them to move into a band that offers a lower level of support with their Council Tax. This would mitigate the positive impact to them of the increase in benefits and could cause financial hardship.
- 3.4.2. Pension age claimants would be unaffected as the scheme and values are prescribed by the government.
- 3.4.3. For working age claimants on passported benefits (Income Support, Income Based Jobseekers Allowance and Income Related Employment and Support Allowance) will see no difference as Medway's current scheme prescribes that they will receive 65% support regardless however, other working age claimants in receipt of benefits such as Universal Credit will be affected.
- 3.4.4. The Council would bill for a higher level of Council Tax income from residents should this option be agreed as the scheme would deliver a lower proportion of support compared to the increased Council Tax proposed in the Budget for 2023/24.

3.5. **Option 2: Uprate the income bands in the scheme by inflation.**

- 3.6. If Medway uprates the income bands in line with inflation, the government's increases in benefit will result in increased income in real terms for claimants. Given the cost of living crisis and potential impacts on the ability of residents to pay their Council Tax liabilities.
- 3.7. The Benefits and Welfare Service have modelled the financial implications for the collection fund of uprating the bands by 11.1% alongside the increase in benefit income of 10.1% and have concluded the financial effect to be approximately £100,000.
- 3.8. The bands would increase as set out overleaf, with bands referencing income per week:

Band/Discount percent	Single person	Couple with no children or young person	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
Band 1* 65%	£0 to £105.99	£0 to £143.99	£0 to £199.99	£0 to £266.99
Band 2 55%	£106 to £155.99	£144 to £193.99	£200 to £255.99	£267 to £321.99
Band 3 45%	£156 to £205.99	£194 to £243.99	£256 to £310.99	£322 to £377.99
Band 4 35%	£206 to £255.99	£244 to £293.99	£311 to £366.99	£378 to £432.99
Band 5 20%	£256 to £299.99	£294 to £343.99	£367 to £421.99	£433 to £499.99
Band 6 0%	£300+	£344+	£422+	£500+

*Where any applicant or their partner are in receipt of Income Support, Income-Based Jobseeker's Allowance or Income-Related Employment and Support Allowance, a Band 1 discount will be given.

- 3.9. This report therefore recommends increasing the income bands in the scheme by inflation based on the CPI for October 2022 of 11.1%.
- 3.10. The proposed Medway CTRS scheme for 2023/24, reflecting these updated income bands, is presented at Appendix 1 to this report and an updated diversity impact assessment is at Appendix 2.

4. Cabinet

- 4.1. The Cabinet considered the report on 7 February 2023 and its decisions are set out below:
- 4.2. The Cabinet recommended Full Council to adopt the Council Tax Reduction Scheme (CTRS) 2023/24, reflecting income bands updated for CPI, as set out in Appendix 1 to this report.
- 4.3. The Cabinet agreed to delegate authority to the Chief Operating Officer, in consultation with the Leader of the Council and the Portfolio Holder for Business Management, to implement the Council Tax Support Scheme in line with government guidance, to grant a mandatory £25.00 rebate to each recipient of the CTRS for 2023/24, as set out in paragraph 5.3 of the report.
- 4.4. The Cabinet agreed the Care Leavers Discretionary Relief policy as set out at Appendix 2 to become permanent from 1 April 2023.

5. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Forecast cost of scheme falls short of estimate	Claimants may have reduced benefits 'unnecessarily'	Use of data modelling tools and data analysis	D3
Forecast cost of scheme excessive	Unidentified increase in service demand	Use of data modelling tools and data analysis	D2
Effect on council tax collection	If bands are not increased there is the potential for increased arrears. Potential for arrears not to be cleared within the relevant financial year leading to delays in collecting the following year's liability.	Increasing the income bands will mitigate the effect of this risk.	B2

Likelihood	Impact:
A Very high B High C Significant D Low E Very low F Almost impossible	1 Catastrophic (Showstopper) 2 Critical 3 Marginal 4 Negligible

6. Consultation

- 6.1. The ability to uprate the income bands in line with CPI is set out within the existing CTRS and as such there is no requirement to consult on the change proposed in this report.

7. Financial implications

- 7.1. The increases in support set out and recommended in this report are considered to represent modest cost increases to the Council but would

provide considerable support to our most vulnerable residents, particularly given the current economic climate.

- 7.2. The cost of the CTRS in 2022/23 is £13.5million. Elsewhere on this agenda, the Proposed Budget for 2023/24 includes a proposal to increase the Council Tax for Medway by 4.994%. If that recommendation is accepted by Cabinet and Council, the cost of Medway's CTRS scheme will increase by an estimated £675,000. However, the impact of uprating the income bands within the scheme is estimated to cost approximately £100,000. This cost will not fall to the general fund in 2023/24 as it will not materialise until setting the budget for 2024/25 and will manifest in the surplus or deficit on the Collection Fund at the end of 2023/24.

8. Legal implications

- 8.1. 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.

9. Recommendations

- 9.1. The Council is asked to note the decisions of the Cabinet, as set out at section 4 of the report.
- 9.2. The Council is asked to adopt the Council Tax Reduction Scheme 2023/24, reflecting income bands uprated for CPI, as set out in Appendix 1 to this report.

Lead officer contacts

Katey Durkin, Chief Finance Officer, katey.durkin@medway.gov.uk , 01634 332355

Gemma Gilley, Head of Benefits and Financial Welfare,
gemma.gilley@medway.gov.uk , 01634 332310

Appendices – included in Supplementary Agenda No.1

Appendix 1 – Draft Council Tax Reduction Scheme 2023/2024
(with uprated income bands)

Appendix 2 – Diversity Impact Assessment CTRS 2023

Background papers

Medway's 2022/2023 Council Tax Reduction Scheme

https://www.medway.gov.uk/downloads/file/7343/council_tax_reduction_scheme_2022_to_2023

Council Tax Support Fund Guidance

<https://www.gov.uk/government/publications/council-tax-support-fund-guidance/council-tax-support-fund-guidance>