

# Report

## Council

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### Part 1

Date: 26 January 2020

**Subject** Council Tax Reduction Scheme 2021/2022

**Purpose** For Council to consider a proposed Council Tax Reduction Scheme for 2021/22 and to determine its local discretions.

**Author** Service Manager – Customer Experience

**Ward** All

**Summary** The Council Tax Reduction Scheme (CTRS) for 2021/22 updates the scheme that was introduced on 1st April 2015. The Council is not required to consult on the proposals of the new scheme as the changes made are in consequence of amendments made to the Prescribed Requirements Regulations. The local discretions that are available to the Council will remain unchanged. This report provides information on the proposed Council Tax Reduction Scheme.

**Proposal** That Council approves the Council Tax Reduction Scheme for 2021/22 in accordance with the Council Tax Reduction Schemes (Prescribed Requirements and Default Schemes) (Wales) (Amendment) Regulations 2015 ("the Prescribed Requirements Regulations") exercising its local discretions as indicated in the report.

**Action by** Service Manager – Customer Experience

**Timetable** Immediate

This report was prepared after consultation with:

- Head of Law and Standards
- Head of Finance
- Head of People and Business Change

**Signed**

## Background

In Wales the Council Tax Reduction Scheme, continues to be a national scheme (in contrast to England, where schemes are local to each billing authority.)

The Council Tax Reduction Scheme in Wales is set by Regulations made under Schedule 1B of the Local Government Finance Act 1992 (as inserted by the Local Government Finance Act 2012). In January 2021, the Welsh Assembly approved amending regulations to have effect from 1st April 2021: the Council Tax Reduction Schemes (Prescribed Requirements and Default Schemes) (Wales) (Amendment) Regulations 2021. These Regulations prescribe the main features of the Scheme to be adopted by all Councils in Wales. The revisions for 2021/2022 are:

Updates to the financial figures used to calculate entitlement to a council tax reduction to reflect the cost of living.

The financial figures in the 2013 Regulations will be uprated as follows:

- **Personal allowances in relation to working age, and carer and disabled Premiums**  
The financial figures in respect of these allowances have been amended and have increased in line with the cost-of-living rises. The convention is to uprate in line with the Consumer Price Index figure for September from the previous year (2020), which is 0.5%.
- **Personal allowances in relation to pensioners**  
The financial figures in respect of pensioner rates have been amended and are aligned with Housing Benefit. These have been calculated with assistance from the Department of Work and Pensions and have been uprated by different mechanisms. For example, the Pension Credit Standard Minimum Guarantee is uprated by earnings, whereas the Additional Pension and increments are uprated by prices.
- **Non-dependant deductions**  
The financial figures for the income bands and deductions made in relation to non-dependants have been uprated. If amendments are not made, the deductions from CTRS awards would not be appropriate as the income thresholds would no longer reflect average earnings and the deduction would no longer reflect the overall cost of council tax.

Other consequential Amendments have been made to ensure the 2013 regulations remain up-to-date and fit for purpose:

- **Amendments related to the Windrush Compensation Scheme**  
This compensation scheme (“the Scheme”) is designed to compensate individuals who have suffered loss in connection with being unable to demonstrate their lawful status in the United Kingdom.  
  
The proposed amendments to the 2013 CTRS Regulations make provision that compensation payments made under the Scheme will be disregarded from capital when determining an applicant’s eligibility for a reduction and the amount of that reduction.
- **Universal Credit Run-On Disregard**  
Entitlement to Universal Credit (UC) ends when a person (or mixed-age couple) reaches the qualifying age for state pension credit (PC). From this point, claimants can instead claim pension-age benefits such as Pension Credit (PC).

Previously, claimants who reached state pension age during the assessment period risked there being a gap between their last UC payment and their first PC (and other pension-age benefits) payments. The Department of Work and Pensions (DWP) is aiming to reduce the gaps in entitlement for claimants transitioning from UC to pension-age benefits. To achieve this, DWP is making additional UC ‘run-on’ payments to cover the entire month in which a claimant reaches pension age. For some claimants, depending on which date within the month they reach this age, there will be an overlap in the receipt of this UC run-on payment and pension-age benefits.

The proposed amendments to the 2013 Regulations make provision that any 'additional income' resulting from such an overlap is not to be considered as income when determining eligibility for a pension-age council tax reduction in Wales.

Although the Act gives Welsh Ministers discretion to allow Welsh local authorities to determine the contents of schemes themselves, the Government's decision to establish a national framework for the provision of Council Tax Support in Wales and avoids what has been termed a "postcode lottery" whereby eligibility for a Council Tax reduction and the size of the Council Tax reduction for particular groups could be different in different council areas.

Although a national scheme has been approved, within the Prescribed Requirements Regulations, limited discretion is given to the Council to apply additional discretionary elements that are more generous than the national scheme and which provide for additional administrative flexibility remain. These are:

- The ability to increase the standard extended reduction period of 4 weeks given to persons after they return to work where they have previously been receiving a council tax reduction that is to end as a result of their return to work;
- Discretion to increase the amount of War Disablement Pensions and War Widows Pensions which is to be disregarded when calculating income of the claimant;
- Discretion to enhance the process for notification of decisions above the minimum requirements; and
- The ability to backdate the application of council tax reduction with regard to late claims prior to the new standard period of three months before the claim.

It is required by the Prescribed Requirements Regulations that the Council adopts a Council Tax Reduction Scheme by 31 January 2021, regardless of whether it applies any of the discretionary elements. If the Council fails to make a scheme, then a default scheme shall apply under the provisions of the Default Scheme Regulations. The Council can only apply discretion if it makes its own scheme under the Prescribed Requirements Regulations. A Council meeting is scheduled for the 26<sup>th</sup> January 2021 to adopt the Scheme.

The Council has not undertaken consultation on the adoption of the scheme as the Council is no longer obliged to carry out consultation on the adoption of a scheme as the provisions were set by the Welsh Government. Even without the application of any of the discretionary elements, the Council is obliged to make a scheme under the requirements of the Prescribed Requirements Regulations notwithstanding the fact that a default scheme would come into effect even if the Council failed to make a scheme. The obligation is a statutory duty and applies even if the Council chose not to apply any of the discretions available to it.

The recommended approach is to adopt the Scheme in the Prescribed Requirements Regulations and to continue to exercise the available discretions as follows:-

- The ability to increase the standard extended reduction period of 4 weeks given to persons after they return to work where they have previously been receiving a council tax reduction that is to end as a result of their return to work [It is not recommended to increase the standard extended reduction period] ;
- Discretion to increase the amount of War Disablement Pensions and War Widows Pensions which is to be disregarded when calculating income of the claimant [It is recommended to disregard the whole amount of War Disablement Pensions and War Widows Pensions] ;
- Discretion to enhance the process for notification of decisions above the minimum requirements [It is not recommended to enhance the process for notification of decisions] ; and

- The ability to backdate the application of council tax reduction with regard to late claims prior to the new standard period of three months before the claim. [It is not recommended to increase the backdated period].

It should be noted the above recommendations follow existing practice and continue with the features of the 2020/21 Scheme. There are no additional monies available from the Welsh Government to fund discretionary elements.

The Council continues to have powers to support hardship on an individual basis or in respect of a defined group. Such arrangements cannot form part of the Council Tax Reduction Scheme itself. The Council has previously had access to grant for discretionary housing payments and will continue to provide support where appropriate.

## Financial Summary

Uprating the financial in respect of pensioners and working age allowances would slightly increase total reductions under CTRS. However, if the financial figures in relation to non-dependant deductions were also uprated, this would mitigate some of the increase in total reductions. Consequently, total council tax reductions are not expected to rise significantly as a result of the uprating.

Funds to pay for the scheme are within the Council's base budget as the historical specific grant from WG that used to fund this was transferred into the Revenue Support Grant in 2013/14 for the provision of the Council Tax Reduction Scheme.

## Risks

The Council needs to manage the cost of Council Tax Support within its budget.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Failure to adopt a scheme in accordance with the required regulations	L	L	There is a default scheme in the event that the Council does not follow the appropriate procedures	Head of City Services

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

The Welfare Reform changes are imposed by national government and devolved to the Welsh Government for implementation by Councils. The Council's response within its service areas will be to try to ensure that any effects of the reforms are mitigated wherever possible.

## Options Available

Option 1 – Do nothing

- If the financial figures used to assess household allowances in the council tax reduction means-test remained static, the criteria used would be slightly less generous for non-passported applicants and would lead to small decreases in support in real terms.
- The financial figures used to assess the eligibility of households with non-dependants would be out-of-date. The income thresholds would no longer reflect average earnings and the adjustment made to the final Council Tax Reduction would no longer reflect overall cost of Council Tax.

- If consequential amendments are not made to the 2013 CTRS Regulations, this would mean that they would not take account of changes to related welfare benefits and other legislation. This could disadvantage some applicants by reducing or stopping their entitlement to support. It could also create confusion for applicants and increase the administrative burden for local authorities and advice providers.
- The default scheme would be implemented and the local discretionary elements would be lost.

#### Option 2 – Adopt amended Regulations and retain local discretionary elements

- This option would mean that amendments would be made to update the financial figures in the 2013 CTRS Regulations in line with to Welsh Government policy, cost-of-living increases and changes to qualifying benefits.
- The financial figures in relation to working age, disability or carer rates will continue to increase with the cost of living for 2020-21 (0.5%, as measured by CPI). The personal allowances for pensioners will be updated to align with those for Housing Benefit and the benefits system.
- The amendments to disregard windrush related compensation, and ‘run-on’ UC payments for calculations of reductions would be implemented into the policy.
- The necessary technical and consequential amendments would also be made.
- The local discretionary elements would be retained.

#### **Proposal**

The changes are largely mandatory with the exception of the limited discretions identified in the report. The Council needs to determine the specific discretions as part of its Scheme.

The proposal is that Council adopts the revised Council Tax Reduction Scheme including the preferred discretions which maintain existing practice.

#### **Comments of Chief Financial Officer**

As noted above, the funds to pay for the scheme are contained within the Council’s base budget, since WG transferred the specific grant for this into the Revenue Support Grant in 2013/14. The budget is uplifted each year in line with the increase in Council Tax and to date, has been more than sufficient. As no changes to these flexibilities are being recommended, the current budget should therefore be sufficient on a like for like basis on current demand levels.

Whilst unrelated to the updating of the scheme parameters and eligibility criteria, the situation with CTRS is currently potentially very fluid. This is a demand led budget and the schemes criteria and eligibility determines its costs to the Council and not budget availability. The demand for CTRS support is very important in the current situation with Covid -19 impact on the economy and employment and all opportunities to advertise its existence is used. Whilst claimant numbers/costs have not increased significantly over the last 6 months or so, we might expect an increase in due course as the situation continues to be challenging over a more prolonged period. Whilst budget savings are being taken from The CTRS budget in 2021/22, it has some headroom to fund an increase in claimant numbers and this will need to be monitored closely.

#### **Comments of Monitoring Officer**

The Council has a statutory duty to approve a revised Council Tax Reduction scheme by 31st January 2021 in accordance with the Council Tax Reduction Schemes (Prescribed Requirements and Default Schemes) (Wales) (Amendment) Regulations 2021. If the Council does not adopt a revised local scheme before the end of January, then a Default Scheme will come into operation. In Wales, the Welsh Government has prescribed a national council tax reduction scheme and, therefore, the Council has no option but to adopt the mandatory elements of the scheme. The previous mandatory scheme has been revised to increase financial allowances in line with inflation and to disregard specific payments when calculating entitlement, such as “Windrush” compensation and Universal credit run-off payments. There are also some limited local discretions within the national scheme, which the Council has previously adopted as part of the current local scheme, and it is recommended that these should continue to be

applied. There is no longer any formal consultation requirement, because of the mandatory nature of the national scheme and the Council has previously consulted on the local discretions.

### **Comments of Head of People and Business Change**

The proposed new scheme is mainly a consequence of amendments to the Prescribed Requirements Regulations. In addition, it is proposed to keep the preferred discretions from the previous scheme in place. This is intended to maintain the measures in place to support low-income households in paying Council Tax and in doing so contributing to wellbeing objectives e.g. a more equal Wales and principles of fairness. There is no longer a formal consultation requirement, because of the national scheme is mandatory and the Council has previously consulted on the local discretions.

There are no human resources implications arising from this report.

### **Equalities Impact Assessment and the Equalities Act 2010**

In drafting these Regulations Welsh Government have considered the duty on Welsh Ministers to promote equality and eliminate discrimination.

An Equality Impact Assessment was completed for the introduction of the 2013 Council Tax Reduction Scheme Regulations.

### **Wellbeing of Future Generations (Wales) Act 2015**

The policy supports the principles within the Well-being of Future Generations (Wales) Act 2015. Maintaining full entitlement to Council Tax Reduction Scheme will continue to help low income households in meeting their council tax liability and as such will help to contribute to the wellbeing objectives of: a prosperous Wales; and a more equal Wales.

### **Consultation**

The Council is not required to consult on the proposals of the new scheme as the amendments made are in consequence of amendments made to the Prescribed Requirements Regulations. The local discretions that are available to the Council will remain unchanged.

### **Background Papers**

The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2021

Explanatory Memorandum to the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2021



Draft CTRS  
Regulations 2021.pc



Explanatory  
Memorandum CTRS

Dated: 26 January 2021