

Report to Council

Subject: Council Tax Reduction Scheme
Date: 15th November 2017
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1. Purpose of the Report

- 1.1 This report seeks approval that, for the financial year 2018/19, the Council continues to apply its current Council Tax Reduction Scheme (CTRS) without revision.

2. Background

- 2.1 Members will recall that from 1st April 2013, the Council Tax Benefit Scheme was replaced by a localised support scheme for Council Tax known as the Council Tax Reduction Scheme (CTRS). All billing authorities (district and unitary authorities) were required to devise their own scheme and on 19th December 2012, following a full consultation exercise, the Council adopted a Council Tax Reduction Scheme very similar to the previous national Council Tax Benefits scheme but with the following main differences for working age residents:

- a) No entitlement to CTRS for claimants whose savings were greater than £6,000.
- b) Removal of the Second Adult Rebate.
- c) A flat rate non-dependant deduction of £7.50 for each adult member of the household.
- d) Automatic backdating of CTRS for a maximum of 3 months.
- e) Entitlement to the extended payments “back to work” incentive for the long term unemployed, increased from four weeks to twelve weeks.

- 2.2 On 22nd January 2014 Council resolved to adopt the CTR Scheme that included provision to allow for the annual uprating of allowances and premiums without this being classed as a material change to the scheme.

- 2.3 On 16th November 2016 Council resolved to continue with its CTR scheme and this is the scheme currently used by the Council.

- 2.4 Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992 requires the Council to consider whether its CTRS is to be revised or replaced for each financial year. Where the scheme is to be revised or replaced the Council must make such a

decision no later than 31st January in the financial year preceding that for which the revision or replacement scheme is to have effect.

3. Options

- 3.1 At the 1st March 2017 Council meeting, officers were asked to undertake a comprehensive review of the CTRS for the 2018/19 financial year. In recognition of this, the Service Manager for Revenues and Welfare Support provided a series of options for consideration in respect of the current CTRS (again, these are only applicable to Working Age Claimants, vulnerable groups and pensioners are protected).
- 3.2 “Vulnerable groups” are households where the claimant or their partner is in receipt of Disability Living Allowance or Personal Independence Payments or the household includes a disabled child. This is similar to many council’s definition of vulnerable groups but can be re-defined if required. Any income relating to disability is already ignored in any CTRS assessment calculation.
- 3.3 The options are detailed in Appendix 1, and are shown separately and combined, and it should be noted that the exclusives cannot be combined together, as individually they could reduce any entitlement to zero.

4. Funding arrangements

- 4.1 Central government fund their share of CTRS via the Revenue Support Grant mechanism which has been reduced year on year and is likely to be removed by the end of 2020/21. Therefore, any shortfall in funding of the Council Tax Reduction Scheme would have to be met by a combination of:
 - Raising more income through further changes to Council Tax empty property discounts;
 - Additional income through the Business Rates Retention Scheme;
 - Raising income or reducing expenditure through other service area efficiencies;
 - Reducing the total spend on the Council Tax Reduction Scheme.
- 4.2 The 2017/18 scheme was agreed based on a reducing caseload and expenditure forecast of £7.0m. However, as Council then resolved to increase Council Tax by £5 at Band D level for 2017/18 and the County Council were allowed to raise a further 2% for the Adult Social Care precept, expenditure has risen to £7.2m.
- 4.3 Whilst the caseload is still reducing in 2017/18, CTRS expenditure is expected to increase in 2018/19 to £7.4m in accordance with the Council’s medium term financial plan. However, based on that forecast, it is anticipated that a scheme with a 100% discount of Council Tax for the most vulnerable would still be affordable for 2018/19.

5. Conclusions

- 5.1 It is clear that of the options the single proposal that would generate the most savings for the Council would be the reduction of the maximum award to 80% requiring all working age households to pay at least 20% (saving Gedling £79,873). This could be combined with other options to save a greater amount.
- 5.2 Many councils that have implemented this measure, including some in Nottinghamshire, have reported that their Council Tax in-year collection rate decreased and that this decrease was entirely due to their scheme change. Clearly, there would also be a decrease in the Council's cash flow throughout the financial year.
- 5.3 For Gedling, this would mean another 4,000 households now actually paying Council Tax that did not do so before, and there would be greater resources needed in Revenues, Welfare Support and Customer Services to cope with the additional collection and recovery workload, particularly as council tax arrears would be expected to increase. This could negate any anticipated savings. In general, all of the options for consideration have a similar outcome.
- 5.4 Nationally and locally, households reliant on rebates such as the Council Tax Reduction scheme are considered some of the most financially vulnerable residents. For Gedling, this has been evidenced by the caseload increase and claimant reliance on the Council's Discretionary Housing Payments scheme and the Housing Needs Repossession Prevention support scheme. Consequently, these households would have even greater difficulty than other households in being able to afford increases in their expenditure and it would therefore be more likely that their Council Tax would remain unpaid, it would be more difficult to collect, and they would be more likely to be subject to court action and associated Court and Enforcement fees.
- 5.5 The DCLG have previously issued guidance on administrative matters to be considered in any CTRS, such as duties to vulnerable people, and that schemes should contain work incentives. The Gedling CTR scheme currently contains all of these in the form of income and earnings disregards (in line with housing benefit levels) and protection from restricted liability for severely disabled people.
- 5.6 In summary, any reductions to the Council's CTRS expenditure are only available in respect of our Working Age claimants as pensioners are 100% protected i.e. of the £7.2m paid out in 2017/18, £3.3m is totally protected.
- 5.7 Members are reminded that this review process is legislatively required to be undertaken every financial year.
- 5.8 Nationally, studies have shown that the best results in terms of maintaining cash collection levels is to incrementally change the scheme i.e. possibly go for a 10% change in year one and then reduce the scheme year on year. As outlined in para 5.1

above, a move from a 100% scheme to a 80% scheme would give the best financial savings, but it is highly likely that the resulting loss of council tax income and associated recovery costs would negate the benefits of making such a change.

- 5.9 It is debatable whether a move from a 100% scheme to a 90% scheme would have a similar impact, but in reality it would mean that approximately 3,004 residents who have been used to paying a nil council tax would now be required to pay a minimum of £118 per year (based on a Band A property).
- 5.10 It must be concluded that at the present time, with the perceived difficulties of collection and the impact on our local residents when compared to the potential savings, a change to the scheme would not yield any major financial or social benefit for the Council.

6. Proposal

- 6.1 It is therefore proposed that the current Council Tax Reduction Scheme continues for the financial year 2018/19 without revision, except for any relevant national uprating which is covered within the current scheme.
- 6.2 A copy of the proposed full scheme is available online or in hard copy in the Members' Room.
- 6.3 The Equality Impact Assessment for the Scheme has been reviewed with no issues identified.

7. Resource Implications

7.1 The total discounts given under the CTRS are estimated to be £7.4m for the 2018/19 financial year of which Gedling's share is £660k which is funded on a reducing scale via the revenue support grant.

7.2 There are no additional financial implications.

8. Recommendation

THAT:

The Council continues to apply the current Council Tax Reduction Scheme (CTRS) for the financial year 2018/19 without revision.

9. Appendices

1. Options.

10. Background papers

1. Current CTRS.