

## **Report to Council**

**Subject:** Council Tax Reduction Scheme

**Date:** 19<sup>th</sup> September 2018

**Author:** Assistant Director - Finance

### **1. Purpose of the Report**

- 1.1 This report seeks approval that, for the financial year 2019/20, the Council continues to apply its current Council Tax Reduction Scheme (CTRS) without revision.

### **2. Background**

- 2.1 Members will recall that from 1<sup>st</sup> 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 19<sup>th</sup> 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 22<sup>nd</sup> January 2014 Council resolved to adopt a CTRS 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 16<sup>th</sup> November 2016 Council resolved to continue with its CTRS without revision.
- 2.4 On 15<sup>th</sup> November 2017 Council resolved to continue with its CTRS without revision and this is the scheme currently in use by the Council.

2.5 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 has to have made a decision no later than 31<sup>st</sup> January in the financial year preceding that for which the revision or replacement scheme is to have effect. The Council Tax Reduction Schemes (Amendment) England S.I. 2017 No. 1305 amended the date of 31<sup>st</sup> January to 11<sup>th</sup> March to allow for a longer period of consideration and consultation if required.

### **3. Options**

- 3.1 Officers have been asked to undertake a comprehensive review of the CTRS for the 2019/20 financial year. In recognition of this, the Service Manager for Revenues and Welfare Support has provided a series of options for consideration in respect of the current CTRS (again, these are only applicable to Working Age Claimants -pensioners are protected by Government Legislation).
- 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 Councils definitions 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 At the outset of the CTRS scheme in 2013/14 Central Government provided non-ring-fenced grant funding to Gedling via the Revenue Support Grant mechanism. Revenue Support Grant has been reduced year on year and will be removed in full by the start of 2019/20. The resulting shortfall in funding of the Council Tax Reduction Scheme will have to be met by a combination of:
- Raising more income through further changes to Council Tax empty property discounts/premiums;
  - 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 2018/19 scheme was agreed by full Council in November 2017 based on a reducing caseload and expenditure forecast of £7.0m. However in March 2018, Council resolved to increase Gedling’s Council Tax by £5 at Band D level for 2018/19 and the County Council were allowed to raise a further 2% for the Adult Social Care

precept. This meant that CTRS expenditure is now expected to be around £7.2m at the year-end (March 2019).

- 4.3 Whilst the caseload is still reducing, CTRS expenditure is expected to increase again in 2019/20 to £7.4m.
- 4.4 The Council's current Medium Term Financial Plan (MTFP) assumes that the current CTRS scheme will continue in 2019/20 without revision and without further changes to the Council Tax empty property discounts/premiums. It therefore assumes that any shortfall in funding will be met through other service area efficiencies and business rates.

## **5. Conclusions**

- 5.1 There is a fine balance between the cost of the scheme, the available funding, and the ability of people on low incomes being able to afford to pay their council tax.
- 5.2 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 £52,012). This could be combined with other options to save a greater amount.
- 5.3 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.
- 5.4 For Gedling, this would mean a further 4,178 estimated households now actually paying Council Tax that did not do so before, and this would require greater resources 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 for Gedling because Gedling will pay the full costs of the additional officers whilst only keeping our share (8.8%) of the additional amount collected. In general, all of the options for consideration have a similar outcome.
- 5.5 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 may be subject to court action and associated Magistrates Court and Enforcement Agency fees.

5.6 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 CTRS 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.

5.7 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 estimated to be paid out during 2018/19, £3.2m is totally protected.

5.8 Members are reminded that this review process is legislatively required to be undertaken every financial year.

5.9 Nationally, studies have shown that if the Council was minded to change the scheme, the best results in terms of maintaining cash collection levels would be to incrementally change the scheme e.g. a 10% reduction in year one and then reducing the scheme year on year. In comparison, a straight move from a 100% scheme to, for example, an 80% scheme would give the best financial savings, but it is highly likely that Gedling's increased council tax income would be offset by associated recovery costs and negate the benefits of making such a change.

5.10 It is 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 proposed that the current Council Tax Reduction Scheme continues for the financial year 2019/20 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 2019/20 financial year of which Gedling's share is £650k. As detailed in paragraph 4.4 the Council's current MTFP assumes continuation of the scheme without revision and indicates affordability of the scheme in 2019/20, if agreed by Council.

7.2 There are no additional financial implications.

## **8 Recommendation**

THAT:

The Council Tax Reduction Scheme 2019/20, to apply from 1<sup>st</sup> April 2019, be approved and adopted by full Council, and that there are no changes to the Council Tax Reduction Scheme for working age people as described in Section 2 of this report, except for the annual uprating and amendments of allowances and premiums in line with Housing Benefit levels.

## **9 Appendices**

1. Options.

## **10 Background papers**

1. Current Council Tax Reduction Scheme.