

## Report to Council

**Subject:** Council Tax Reduction Scheme

**Date:** 25 January 2023

**Author:** Housing and Welfare Manager

### Purpose

This report seeks approval for the current Council Tax Reduction Scheme (CTRS) to continue without revision in 2023/24.

### Recommendation(s)

#### THAT:

- The Council Tax Reduction Scheme (CTRS) 2023/24, to apply from 1 April 2023, be approved and adopted by full Council, and

That there are no changes to the CTRS 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; and

That there are no changes to CTRS for pension age people except for those contained within the annual Council Tax Reduction Schemes (Amendment) (England) Regulations.

## 1 Background

1.1 Members will recall that from 1 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 for working age claimants. Pensioners are protected by Government legislation and continue to receive discount equivalent to that received under the Council Tax Benefit Scheme i.e. up to 100%.

1.2 On 19 December 2012, following a full consultation exercise, Gedling Borough Council adopted a Council Tax Reduction Scheme very similar to the previous national Council Tax Benefits scheme, enabling a maximum award entitlement of up to 100% discount but with the following main differences for working age claimants:

- a) No entitlement to CTRS for claimants whose savings were greater than £6,000;
  - b) Removal of the Second Adult Rebate Scheme;
  - 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; and
  - e) Entitlement to the extended payments “back to work” incentive for the long term unemployed, increased from four weeks to twelve weeks.
- 1.3 On 22 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.
- 1.4 Since the 22 January 2014 the Council has continued with its CTRS without revision, and this is the scheme currently in use by the Council.
- 1.5 Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992 requires the Council to consider whether the CTRS is to be revised or replaced for each financial year. The Act required that where the scheme is to be revised or replaced, the Council has to have made a decision no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 1.6 The Council Tax Reduction Scheme (Amendment) England S.I. 2017 No. 1305 amended the date of 31 January to 11 March to allow for a longer period of consideration and consultation if required.

#### Funding Arrangements

- 1.7 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 this funding was fully removed from the 2019/20 financial settlement.
- 1.8 Since 2013/14, the resulting shortfall in funding of the CTRS has had 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.
- 1.9 The other option for meeting any shortfall in funding is to reduce the total spend on the CTRS i.e. change from a 100% scheme.
- 1.10 The 2022/23 scheme was agreed by full Council in November 2021 based on expenditure forecast of £7.8m. However, due to the caseload not rising as high as anticipated following the Covid 19 pandemic and the downturn in the

economy, expenditure is now expected to be around £7.45m at the year-end (March 2023).

The costs of CTRS are proportionately shared by the Council and the major preceptors.

1.11 The downturn in the economy has worsened throughout 2022 following the war in Ukraine and the impact on the energy market and the United Kingdom is now forecast to be in a recession for the whole of 2023. Therefore it is projected that the caseload will increase in 2023/24. Council tax increases are also expected to be applied by the major preceptors in 2023/24 and therefore CTRS expenditure is expected to increase above 2022/23 levels.

1.12 During 2020/21 the Government recognised some of the financial challenges being faced by working families as a result of Covid-19 and provided Council Tax Hardship funding of £873,000 which the Council used to reduce 2020/21 Council Tax liabilities for working families in receipt of CTRS by up to £450.

There was sufficient Council Tax Hardship funding remaining in 2021/22 to enable the Council to provide all recipients of working age council tax reduction scheme (CTRS) support during the financial year 2021/22 with a reduction in their annual council tax bill of up to £50.

For 2022/23 The Council agreed to award a contribution of up to £30 in Council Tax Hardship to further reduce Council Tax liabilities. The allocation is not Government funded and therefore all expenditure has been subsidised from the Councils own financial reserves. The awards have been distributed to both working and pensioner age clients groups whereas the previous year awards have only been made to the working age sector. The scheme is subject of a monthly review to ensure that expenditure can be maintained within the existing budget.

The CTRS caseload is expected to increase further in 2023/24 due to the current financial crisis and potential recession. The Government has again recognised the ongoing financial challenges all households are facing and have announced Council Tax Hardship funding of £172,624 which will be used to reduce 2023/24 Council Tax liabilities. An award of up to £25 will be applied to both working and pensioner age households in receipt of CTRS. In accordance with scheme guidance the Council can allocate any surplus funding by using its own discretion and this will be subject of a decision report to be considered by the Executive.

## **2 Proposal**

2.1 An objective review of the CTRS for the 2023/24 financial year has been completed and has considered alternative options for amending the current CTRS against the backdrop of the financial challenges continuing to be faced by working families.

2.2 Of the £7.5m estimated 2022/23 cost of the CTRS, £3.1m is awarded to those customers of a pensionable age with £4.4m awarded to the working age client group.

Any reductions to the Council's CTRS expenditure are only available in respect of our Working Age claimants as pensioners are 100% protected.

2.3 The total number of working age claimants is in the region of 3,927 households on low incomes, of which 1592 are classed as Vulnerable groups. "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.

#### Review of the options

2.4 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. As the current CTRS offers a maximum award of 100% any alternative option is based upon reducing the level of financial support to low income working age claimants which may then deliver a saving for the Council.

2.5 The individual option that would generate the highest saving for the Council and which would be simple to administer, would be to reduce the current maximum entitlement from 100% to, for example, 90% or 80% therefore requiring all working age households to pay a minimum of at least 10% or 20% of their annual council tax bill. For example, each household in a Band A property in a non-parished area, who currently has a zero Council Tax charge, would be required to pay £288.13 pa if the maximum award is reduced to 80%. The total annual savings that would be generated and shared proportionately by the Council and major preceptors would be in the region of:

- Reducing the maximum award to 90% would make a saving of £499,000 (GBC saving of 9.1% amounts to £45,500);
- Reducing the maximum award to 80% would make a saving of £982,000 (GBC saving 9.1% amounts to £89,500)

2.6 Whilst these savings in total are significant, this would require low income households to start paying Council Tax that have not done so before, and this will require an increase in administration resources to manage 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 (9.1%) of any additional amount collected.

2.7 Many Councils that have implemented this option, including some in Nottinghamshire, have previously reported that their Council Tax in-year

collection rate decreased and that this was entirely due to their scheme change so it is probable that the savings detailed above would be lower, particularly in the early years of the introduction of such a change. 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

- 2.8 Nationally and locally, households reliant on financial support such as the CTRS are considered some of the most financially vulnerable residents. For Gedling, this has been evidenced by the increase in 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 also be more difficult to collect, and households may be subject to court action and associated Magistrates Court and Enforcement Agency fees.
- 2.9 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. Gedling's 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.

### Conclusion

- 2.10 It is concluded that a reduction in CTRS for Gedling's most financially vulnerable households combined with the difficulties of collection, when compared to the potential savings for Gedling, would not yield any major financial or social benefit for the Council at a time of major economic uncertainty and the likely ongoing challenges the economic crisis and recession will present to our residents.
- 2.11 It is proposed that the current Council Tax Reduction Scheme continues for the financial year 2023/24 without revision, except for any relevant national uprating which is covered within the current scheme, enabling the current maximum award entitlement to continue at 100% discount to ensure our financially vulnerable households continue to be supported.

## **3 Alternative Options**

- 3.1 There are a variety of alternative options available to amend the CTRS which are shown at Appendix 1, all of which require a reduction in financial support to working age claimants, and which in the current financial climate, are not recommended. The option that individually delivers the largest reduction in CTRS support is the percentage reduction in the award, as detailed in paragraph 2.5 above.

3.2 The implementation of any proposed change to the CTRS would be subject to a period of public consultation.

3.3 There is not the option to do nothing, as the Council is required to make a decision on this matter by 11 March 2023.

#### **4 Financial Implications**

4.1 The total discounts given under the CTRS are estimated to be £7.55m for the 2023/24 financial year, of which Gedling's share is £0.69m. The Council's current MTFP assumes continuation of the CTRS without revision and does not anticipate any savings from a change to the scheme. This indicates affordability of the scheme in 2023/24, if agreed by Council.

#### **5 Legal Implications**

5.1 Section 13A of The Local Government Finance Act 1992 ("the Act") requires billing authorities to make a scheme specifying the reductions which apply to amounts of council tax payable (CTRS). Schedule 1A of the Act, and regulations made thereunder, provide the statutory framework for billing authorities in relation to the CTRS and provide detail as to what must and what could be included in a CTRS.

The Act requires authorities for each financial year to consider whether to revise or replace its CTRS by 11 March in the preceding financial year. This report reflects that statutory consideration.

#### **6 Equalities Implications**

6.1 The Equality Impact Assessment (EIA) for the Scheme has been reviewed with no issues identified and is shown in Appendix 2.

#### **7 Carbon Reduction/Environmental Sustainability Implications**

7.1 None arising.

#### **8 Appendices**

8.1 Appendix 1 – Alternative options

Appendix 2 - Equality Impact Assessment (EIA)

#### **9 Background Papers**

9.1 Current Council Tax Reduction Scheme.

**10 Reasons for Recommendations**

- 10.1 To comply with the requirements of Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012/2885.

**Statutory Officer approval**

**Approved by Chief Financial Officer:**

**Date: 13 January 2023**

**Approved by the Monitoring Officer:**

**Date: 13 January 2023**

## Appendix 1

### Council Tax Reduction Scheme options for 2023/24

**Maximum award** - under the current Council Tax Reduction scheme a claimant may be entitled to a 100% reduction of their entire Council Tax liability for the year due to their low level of income. One option for change is to reduce the award to 80% of the Council Tax Liability meaning all applicants paying a minimum of 20% towards their annual charge. Typically, for a household of two parents and two children on Universal Credit this would mean paying:-

£288.13 per year or £5.53 per week in a Band A property

£336.15 per year or £6.45 per week in a Band B property

£384.17 per year or £7.37 per week in a Band C property

**Band restriction** – For example, a claimant in a Band C property with a Council Tax Liability of £1,920.86 per year would only get the CTRS level of a Band A property of £1,440.65 per year. Typically, for a household of two parents and two children in a Band C property on Universal Credit this would mean paying £480.21 per year or £9.21 per week, equivalent to an overall reduction in entitlement of 25%

**Increase non-dependant deduction** – under the current scheme any entitlement to CTRS is reduced by £7.50 per week for any additional resident over the age of 18. One option for consideration is to increase this deduction to £10.00 per week, a loss of £130 per year for the household.

**Increase taper rate** – under the current scheme, if a claimant's income is higher than their applicable amount (which is a government set of allowances and premiums reflecting the amount that a household "needs" to live on), the CTRS would be reduced by 20% of the excess. This option is to increase the taper to 25%. The claimant would have to pay more as their CTRS entitlement would be less.

**Disregard for child benefit and minimal award** are self-explanatory and only small changes.

**Capital Limit** – The current scheme sets an upper capital limit of £6,000 meaning any applicant who has capital above this threshold is not eligible for assistance. The following examples showing the savings and number of cases that would cease to be eligible from the existing caseload if the capital thresholds were lowered:

a) Capital greater than £2,000		
Total savings across all major preceptors £334,664	Gedling's savings £30,488	Number of households affected 336
b) Capital greater than £3,000		
Total savings across all major preceptors £231,308	Gedling's savings £21,072	Number of households affected 234
c) Capital greater than £4,000		
Total savings across all major preceptors £161,580	Gedling's savings £14,720	Number of households affected 162



### Council Tax Reduction Scheme options for 2023/24

	<b>Change to current CTRS scheme EXCLUSIVE:-</b>	<b>Total Saving</b>	<b>GBC saving 9.11% of total</b>	<b>Excluding Vulnerable groups</b>	<b>GBC saving 9.11% excluding vulnerable groups</b>	<b>Numbers of working age Households affected</b>	<b>Numbers affected when vulnerable groups excluded</b>
<b>1</b>	Maximum award 80%	£981,902	£89,451	£628,628	£57,268	3927	2335
<b>2</b>	Maximum award 90%	£499,146	£45,472	£379,385	£34,562	3927	2335
<b>3</b>	Restriction to Band A	£330,476	£30,106	£231,543	£21,094	1353	956
<b>4</b>	Restriction to Band B	£125,990	£11,478	£64,033	£5,833	462	260
<b>5</b>	Restriction to Band C	£47,095	£4,290	£25,776	£2,348	155	82
<b>6</b>	Increase Non-dependant deduction from £7.50 to £10	£44,880	£4,089			673	
<b>7</b>	Increase Taper rate from 20% to 25%	£114,571	£10,437	£91,473	£8,333	1093	886
<b>8</b>	No disregard for Child Benefit	£8,599	£783			75	
<b>9</b>	If Minimum award less than £5 per week make award nil.	£25,406	£2,314			420	
<b>COMBINED:-</b>							
<b>10</b>	Maximum award 80% + restriction to band B	£1,078,312	£98,234	£675,351	£61,524	3927	2335
<b>11</b>	Maximum award 90% + restriction to Band B	£604,925	£55,109	£435,438	£39,668	3927	2335
<b>12</b>	Maximum award 90% +restriction to band C	£536,045	£48,834	£400,585	£36,493	3927	2335
<b>13</b>	Maximum 80% + non dep £10	£1,021,089	£93,021	£669,765	£61,016	3927	2335
<b>14</b>	Maximum 90% + non dep £10	£543,322	£48,677	£428,889	£39,072	3927	2335

Note: The Total Saving column relates to the full scheme including all major preceptors i.e. the County, Police, Fire and Gedling in line with the council tax charge.