

**READING BOROUGH COUNCIL**  
**REPORT BY DIRECTOR OF FINANCE**

<b>TO:</b>	<b>POLICY COMMITTEE</b>		
<b>DATE:</b>	<b>23 SEPTEMBER 2021</b>		
<b>TITLE:</b>	<b>PROPOSED CHANGES: LOCAL COUNCIL TAX REDUCTION SCHEME</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR BROCK</b>	<b>PORTFOLIO:</b>	
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
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**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 This report sets out a range of options to make amendments to the Local Council Tax Reduction Scheme for the 2022/23 financial year. These options would reduce administrative processes for both customers and staff and provide an increased level of support.
- 1.2 A statutory consultation period is required for changes to the Local Council Tax Reduction Scheme and, subject to member approval; it is proposed to consult on the proposed options for a period of eight weeks. The consultation timetable is set out below.
- 1.3 An equality impact assessment for the proposals has been carried out and is set out in Appendix One.
- 1.4 A table of neighbouring local authorities scheme characteristics is set out in Appendix Two.

**2. RECOMMENDED ACTION**

That Policy Committee:

- 2.1 Consider the options to amend the Local Council Tax Reduction Scheme for implementation from 1 April 2022
- 2.2 Agree the five proposals set out in para's 4.2 to 4.6 for consultation, in accordance with the timetable set out in para 7.2 in the body of the report.

**3. POLICY CONTEXT**

- 3.1 Council Tax Benefit (CTB), the national system of support for Council Tax bills, was localised and replaced in England by what is now known as Local Council Tax Reduction Scheme (referred to as LCTRS) in April 2013. Such schemes reduce, sometimes to zero dependent on local decision making, the amount of Council Tax which a household has to pay.

While Scotland and Wales each brought in nationwide schemes to replace CTB, English councils were left to devise their own schemes for working-age residents. The full protection for pensioners provided by CTB remained a requirement of each local scheme.

Each year there is a requirement for the local authority to review the scheme and if amendments are proposed there must be a consultation process and responses duly considered before applying the changes. This report sets out a range of options to amend the existing scheme for the 2022/23 financial year.

### 3.2 Changes to Local Council Tax Reduction schemes in April 2021/22

There are now only 44 out of 309 English local authorities who have neither introduced a minimum payment, a band cap or a banded scheme. These schemes are those that are closest to CTB.

The three common scheme changes are defined follows:

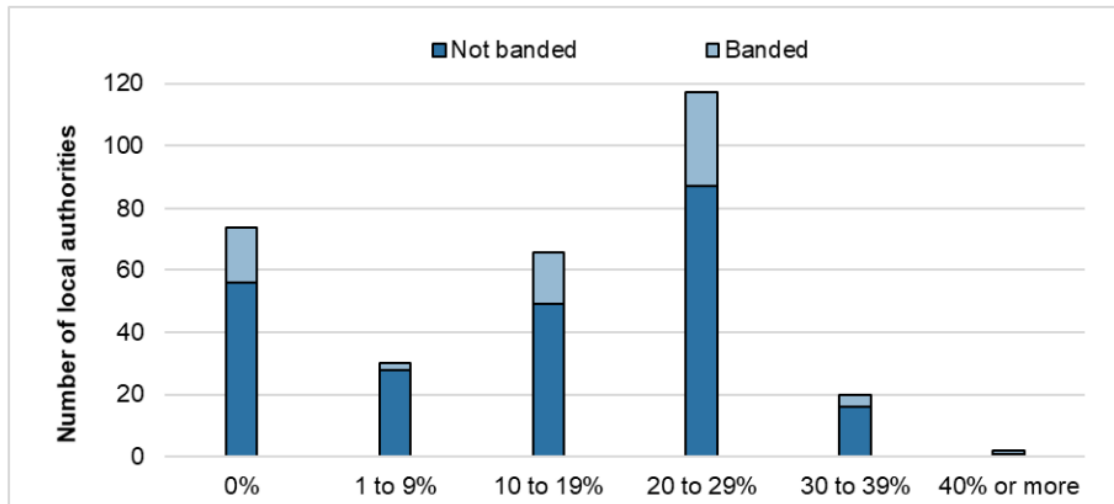
- The introduction of a minimum payment which refers to the proportion of Council Tax liability that all working-age residents are required to pay, regardless of income. If no minimum payment exists, claimants may be entitled to ‘full’ support, equal to the value of their Council tax liability, leaving them with nothing to pay.
- The introduction of a band cap which involves limiting the amount of support for those in higher banded properties so that it does not exceed the amount provided to those in lower value properties.
- The introduction of income banded schemes. These schemes assess the income of claimants and, depending on the income band a claimant falls in, they have to pay a certain proportion of their Council Tax bill.

In 2021/22, of the 309 Local Authorities, relatively few made changes to their schemes, which are detailed as follows:

Scheme changes in 21/22	No. of Local Authorities	Comments
Change to minimum payment or band cap	11	Four schemes became less generous in some way, whilst five lowered their minimum payment. Three of these introduced an income banded scheme and removed the minimum payment for claimants in the first of these bands.
Introduced Income banded schemes	9	
Banded schemes that have increased minimum payment	13	
Banded schemes that have reduced (or removed completely) minimum payment	22	

Although the number of schemes with no minimum payment (0%) has increased recently, the most common minimum payment group remains (as in April 2018), 20 to 29%, with 117 councils in this group. There are 22 councils with a minimum payment of 30% or more as demonstrated in Table 1.

**Table 1: Local authority minimum payments by group in 2021/22:**



Since localisation there has been a great deal of variation across England. In some local authorities, low-income households continue to be exempt from paying Council Tax whilst in other local authorities they are required to pay up to 50% of their bill.

Table 2 shows the average minimum Council Tax payments for couples claiming LCTRS for local authorities with a 20%, 25% and 30% minimum payment and the three local authorities with the highest minimum payments - Redbridge, Mid Sussex and North Lincolnshire.

**Table 2: Local authorities CTRS Minimum Payments**

Local Authority (LA)	Minimum payment (MP)	Minimum annual payment - Couple
Average of LAs with 20% MP	20%	£309
Average of LAs with 25% MP	25%	£385
Average of LAs with 30% MP	30%	£436
Redbridge	38%	£621
Mid Sussex	40%	£695
North Lincolnshire	50%	£679

The Council's scheme currently compares as follows based on a Band D property charge:

Local Authority (LA)	Minimum payment (MP)	Minimum annual payment - Couple
Reading BC	35%	£727

Current support levels increase the overall Council Tax collectable. However, the revenue generated can place customers in hardship and increase resource required to recover the debt.

#### 4. THE PROPOSAL

##### 4.1 Current Position:

The Council's current Local Council Tax Reduction Scheme for 2021/22 has the following key characteristics:

### Persons of Working Age

Persons of “Working Age”, are required to make a minimum contribution of at least 35% towards their Council Tax liability. Essentially, the maximum reduction available to persons of “Working Age” is based on 65% of their Council Tax liability.

Where a person of “Working Age” is entitled to a reduction of £5 per month, (equivalent to £1.15 p/w) or less, they not entitled to any Council Tax Support.

The maximum amount of reduction that can be awarded is based upon the Council Tax charge for a Band D property, properties in bands above band D are automatically restricted to the relief at the Band D level.

There are no backdating provisions within our current scheme.

There are no second adult rebate provisions within our scheme for persons of “Working Age”.

Where a person is in receipt of a monthly Universal Credit payment, the payment will be treated as part of their overall income in the calculation of their support assessment.

There is an upper capital limit of £3,000, which means that people with £3,000 or more will not qualify for a reduction for the remainder of the billing year, irrespective of whether the capital is subsequently spent.

### Persons of Pension Age

Persons of “Pension Age” are largely protected by the Government’s prescribed default scheme and continue to have their entitlement to a reduction calculated on 100% of their Council Tax liability.

Persons of “Pension Age” are entitled to have their assessment based on their Council Tax liability for the actual band of property that they are occupying. In other words, a person of “Pension Age” will not have their reduction calculation capped to a Band D property, if they happen to occupy a property in Bands E, F, G or H.

### Non-dependant deductions

Deductions are made from an applicant’s support for any persons aged over 18 who normally live with them, or for whom they do not receive Child Benefit, subject to certain exclusions. Non-dependants are typically grown up children or elderly relatives.

There are two rates of Non-Dependant Deduction:

A non-dependant deduction of £10.00 per week applies for non-dependants who are not engaged in remunerative work or working less than 16 hours per week, and/or have gross earnings less than £207.70 per week;

A non-dependant deduction of £15.00 per week applies for any non- dependants engaged in remunerative work with gross weekly earnings of £207.70 per week and above

There are certain categories that attract no deduction, and these remain in place for both working age and pension age customers.

## 4.2 Proposed changes for 2022/23:

### Proposal One - Persons of Working Age

For 2022/2023, persons of “Working Age”, would be required to make a minimum contribution of between 25% and 30% towards their Council Tax liability. Essentially, the maximum reduction available to persons of “Working Age” would be between 70% and 75% of their Council Tax liability. This option provides an increase in support from the current 65% maximum.

The range indicated allows for consideration of caseload changes between now and Tax Base setting in January 2022. The actual amount of reduction would be agreed as part of the budget setting process, but by consulting on a range of support levels, caseload implications can be better balanced against support aspirations.

Financial implications at para 10.1 highlight the cost variances between the 2 options.

## 4.3 Proposal Two - Persons of Working Age

Remove “Working Age” Council Tax Support minimum of £5 per month, (equivalent to £1.15 p/w) or less.

Removing minimum support levels would avoid LCTRS claims ending thus reducing the number of re-applications and ensures customers receive the support they are entitled no matter how small.

The number of claims during 2020/21 that failed to qualify, as would have been entitled to support of less than £1.15 per week was 200. Whilst it is dependent on customers

circumstances changing for entitlement to increase above the threshold, it would be more economical to leave the claim live and in payment to avoid the potential need for both customers and staff to re-process a full claim.

We are unable to ascertain the number of claimants that subsequently re-applied as a result of a change in circumstances and received support.

## 4.4 Proposal Three - Persons of Working Age

Increase the upper capital limit from £3,000 to £6,000, which means that people with £6,000 or more will not qualify for a reduction.

Remove the restriction to submit a new claim during the remainder of the billing year where capital is subsequently spent.

The change will reduce administration as Department of Work and Pensions data currently available only provides capital data where it exceeds £6,000 in line with the Housing Benefit & Universal Credit Regulations.

Whilst we cannot ascertain with certainty the number of new applicants this change will support. We do however know when the reduced capital limit from £6,000 to £3,000 was introduced for the financial year 2018/19, 121 claims were cancelled as a result.

Financial modelling is based on the number of claim cancellations at the start of 2018/19 and an average award of £945.

#### 4.5 Proposal Four - Persons of Working Age

Allow a maximum of one month backdating provision within the scheme. A working age claimant must have a good cause for their late claim throughout the period for which backdating is requested. This change will align with the current Housing Benefit & Universal Credit Regulations.

Whilst we cannot ascertain with certainty the number of new applicants this change will support. We do however know during the financial year 2020/21 that 15 applicants were entitled to up to one month backdating on their Housing Benefit claim. The cost of this change would negligible.

#### 4.6 Proposal Five - Non-dependant deductions

Set a standard rate of £10 Non-Dependant Deduction to apply for non-dependants who are both engaged and not engaged in remunerative work.

There are certain categories that attract no deduction, and these remain in place for both working age and pension age customers.

The proposed change would provide an increased level of support for those currently with a higher deduction. The change would impact approximately 50 current support recipients.

In addition to providing a greater level of support, the change would reduce administration for both staff and customers. There are currently just over 300 live claims in receipt of either a higher or lower non-dependant deduction, for each claim proof of the non-dependant income is required. This would be either 5 weekly payslips, 2 monthly or 3 fortnightly and details of any other income, plus DWP searches of benefit entitlement. This administration process would be removed entirely with the proposed change.

The cost of this change would be approximately £13,000 based on 50 claims at an increased support level of £5 per week.

### 5. **CONTRIBUTION TO STRATEGIC AIMS**

- 5.1 This proposal will support the Council's vision and contribute to the following Corporate Plan priorities:

**Thriving Communities** - The proposed changes in support contribute to the well-being of local people most in need by increasing the level of financial support available and reducing the claims procedures they would otherwise have to follow.

### 6. **ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

- 6.1 None to record, this proposal provides financial support and changes to the administration of the Local Council Tax Reduction Scheme

### 7. **COMMUNITY ENGAGEMENT AND INFORMATION**

- 7.1 There is a statutory requirement to carry out consultation on any changes to a Local Council Tax Reduction Scheme. The guidance recommends that public consultation should be carried out as early as possible to ensure sufficient time for the feedback to be gathered, impacts to be understood, and feedback to inform the scheme.

Although Government’s code of practice on consultation states that whilst normally 12 weeks is appropriate, billing authorities may wish to consider the appropriate length of their consultation depending on the impact of their proposals and the ability to complete the consultation exercise within budgetary timetables.

The code of practice indicates that where timing is restricted, for example due to having to meet a fixed timetable such as a budget cycle, there may be good reason for a shorter consultation, and any documentation should be clear about the reasons for the shorter timeline.

It is proposed to carry out an on-line consultation over an 8-week period. The proposed timeline is set out in the table below, to allow for consideration of feedback and revised modelling ahead of the Council’s Tax Base setting. Alternative formats of the consultation can be made available on request.

We will specifically consult key stakeholders: Residents, Businesses, Voluntary Sector Organisations, Advice and Support Agencies, Private Landlords, Housing Associations and other stakeholders, including our preceptors.

## 7.2 Proposed timetable:

Consult with key stakeholders	27/09/21 - 21/11/21
Review Consultation Feedback	w/c 22/11/21
Re-Model LCTRS proposals based on revised caseloads	December
Propose final scheme to Policy following outcome of consultation	17/01/2022
Council Meeting - Council decides 2022/23 Scheme following consultation as part of the tax base setting report	25/01/2022
Council Meeting - Council Tax Setting	22/02/2022
Bills issued reflecting revised LCTRS Scheme	March 2022
Formally Implement Change	01/04/2022

## 8. EQUALITY IMPACT ASSESSMENT

### 8.1 A Equality Impact Assessment is set out at Appendix One.

All of the current options impact positively on all customers of working age currently in receipt of Council Tax Support.

Pensioners remain unaffected by these proposals.

## 9. LEGAL IMPLICATIONS

### 9.1 In 2013 the Government Abolished Council Tax Benefit and replaced it with a requirement for Local Authorities to set their own Council Tax Reduction Scheme. Authorities must do this by 31 January each year or the scheme they had in the year before continues.

The proposed amendments to the Council’s scheme as outlined above are proposed in accordance with Section 13A (1) (a) of the Local Government Finance Act 1992 (as amended by section 10 of the Local Government Finance Act 2012).

The proposed changes to the Council's LCTR Scheme would apply from 1st April 2022.

- 9.2 The decision about the scheme is linked to the decision that is reserved to Council to set the Council's Tax Base for Council Tax setting purposes, as effectively reducing council tax support increases the tax base, so more money is collected for each £1 of council tax that is set.

**10. FINANCIAL IMPLICATIONS**

- 10.1 £650,000 is earmarked in the MTFS to provide additional support to LCTRS Claimants from 2022/23.

Current LCTRS expenditure per modelling tool: £8,220,624

Estimated LCTRS expenditure per modelling tool based on current caseload:

<b>Cost Modelling based on 1.99% increase and 25% minimum contribution:</b>	
Estimated LCTRS expenditure if Council Tax 22/23 total increase 1.99%	£8,446,608
Estimated LCTRS expenditure with 25% min. contribution	£9,160,295
Estimated LCTRS expenditure with 25% min. contribution & £10 Non-Dependant deduction	£9,173,193
Remove Council Tax Support minimum of £1.15 per week	£12,000
Increase capital limit £6000	£114,000
Estimated LCTRS expenditure including all proposals	£9,299,193
Funding required to support 5 proposals	£852,585

<b>Cost Modelling based on 1.99% increase and 30% minimum contribution:</b>	
Estimated LCTRS expenditure if Council Tax 22/23 total increase 1.99%	£8,446,608
Estimated LCTRS expenditure with 30% min. contribution	£8,803,539
Estimated LCTRS expenditure with 30% min. contribution & £10 Non-Dependant deduction	£8,816,318
Remove Council Tax Support minimum of £1.15 per week	£12,000
Increase capital limit £6000	£114,000
Estimated LCTRS expenditure including all proposals	£8,942,318
Funding required to support 5 proposals	£495,710

<b>Cost Modelling based on 2.99% increase and 25% minimum contribution:</b>	
Estimated LCTRS expenditure if Council Tax 22/23 total increase 2.99%	£8,538,702
Estimated LCTRS expenditure with 25% min. contribution	£9,260,089
Estimated LCTRS expenditure with 25% min. contribution & £10 Non-Dependant deduction	£9,273,016
Remove Council Tax Support minimum of £1.15 per week	£12,000
Increase capital limit £6000	£114,000
Estimated LCTRS expenditure including all proposals	£9,399,016
Funding required to support 5 proposals	£860,314



<b>Cost Modelling based on 2.99% increase and 30% minimum contribution:</b>	
Estimated LCTRS expenditure if Council Tax 22/23 total increase 2.99%	£8,538,702
Estimated LCTRS expenditure with 30% min. contribution	£8,899,501
Estimated LCTRS expenditure with 30% min. contribution & £10 Non-Dependant deduction	£8,912,294
Remove Council Tax Support minimum of £1.15 per week	£12,000
Increase capital limit £6000	£114,000
Estimated LCTRS expenditure including all proposals	£9,038,294
Funding required to support 5 proposals	£499,592

Assumptions made:

- 1.99% increase in liability following budget setting for 2022/23 or
- 2.99% increase in liability if Adult Social Care precept is applied
- Caseload remains as at August 2021

The increase to Council Tax foregone as a result of changes would be split between the Council and the two preceptors. The following tables demonstrate the split, dependant on whether the general council tax rise is 1.99% or 2.99% and whether the minimum contribution is 25% or 30%:

<b>Cost Modelling based on 1.99% increase and 25% minimum contribution:</b>		
RBC	85.63%	£730,069
Police	10.95%	£93,358
Fire	3.42%	£29,158
Total		£852,585

<b>Cost Modelling based on 1.99% increase and 30% minimum contribution:</b>		
RBC	85.63%	£424,476
Police	10.95%	£54,280
Fire	3.42%	£16,953
Total		£495,710

<b>Cost Modelling based on 2.99% increase and 25% minimum contribution:</b>		
RBC	85.63%	£736,687
Police	10.95%	£94,204
Fire	3.42%	£29,423
Total		£860,314

<b>Cost Modelling based on 2.99% increase and 30% minimum contribution:</b>		
RBC	85.63%	£427,801
Police	10.95%	£54,705
Fire	3.42%	£17,086
Total		£499,592

## 11. BACKGROUND PAPERS

### 11.1 [Review of Council Tax Reduction schemes in England in 2021/22 \(npi.org.uk\)](https://npi.org.uk)



## APPENDIX TWO - BERKSHIRE DATA COMPARISON

Local Authority	21/22 Band D Charge	Capital Limit	Band Restriction	Maximum Support
Reading	£2,076.83	£3,000	Band D	65.00%
West Berkshire	£1,942.98	£6,000	Band C	70.00%
Wokingham	£1,988.82	£4,000	Band D	78.00%
Bracknell Forest	£1,796.08	£16,000 (taper from £6k to £16k)	None	80.00%
Slough	£1,790.53	£16,000	Band C	80.00%
Windsor & Maidenhead	£1,465.30	£16,000	None	80.00%