

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	17 JANUARY 2022		
TITLE:	APPROVAL OF LOCAL COUNCIL TAX REDUCTION SCHEME 2022/23		
LEAD COUNCILLOR:	COUNCILLOR BROCK	PORTFOLIO:	LEADERSHIP
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Welfare Reform Act 2012 and Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support Scheme), which is effectively a type of Council Tax discount. These Acts require the Council to approve a Scheme by the end of January preceding the start of the financial year.
- 1.2 The recommended Scheme for 2022/23 is based on the Scheme agreed by Council for 2020/21 amended for the changes proposed at Policy Committee on 23 September 2021 and subsequently consulted on. The proposed changes benefit residents by:
- a) Providing an increase in support from the current 65% maximum to 70% maximum.
 - b) Remove minimum Council Tax Support award of £5 per month, (equivalent to £1.15 p/w) or less, to enable customers to receive the support they are entitled no matter how small;
 - c) Increasing the upper capital limit from £3,000 to £6,000;
 - d) Allowing a maximum of one month backdating provision and;
 - e) Setting a standard rate of £10 Non-Dependant Deduction to apply for non-dependants irrespective of whether engaged and not engaged in remunerative work.
- 1.3 The Department for Levelling Up, Housing and Communities (DLUHC) will complete an annual update of various allowances and those changes will be incorporated where appropriate. When we consulted on the original principles of the new local scheme in the summer/autumn of 2012, we indicated that various allowances would be subject to annual uprating, so there would be no need for further public consultation on the principle of those changes each year.
- 1.4 An equality impact assessment for the changes has been carried out and is set out in Appendix One.

- 1.5 Results of the consultation on the proposed Local Council Tax Reduction Scheme changes for 2022/23 is set out in Appendix Two.
- 1.6 A table of neighbouring local authorities scheme characteristics is set out in Appendix Three.

2. RECOMMENDED ACTION

That Policy Committee:

- 2.1 **Agree and recommend to Full Council the proposed changes to the Local Council Tax Reduction Scheme, taking into account the results of the public consultation as set out in Appendix Two and summarised in para 4.3 to 4.7 below; and**
- 2.2 **Note that the 2022/23 Council Tax Reduction Scheme allowances will be updated in line with Regulations;**

Appendix One - Equality Impact Assessment

Appendix Two - Results of consultation on the proposed Local Council Tax Reduction Scheme changes

Appendix Three - Table of neighbouring local authorities scheme characteristics

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.
- 3.2 Each billing authority is required to annually set a local Council Tax Reduction Scheme for working age claimants. The Government continues to operate a statutory national scheme for pensioners, which provides them with broadly the same level of Council Tax Support as they received under the previous Council Tax Benefit scheme but has been adjusted by the Government since its introduction to incorporate several welfare reform initiatives.
- 3.3 The local Council Tax Reduction Scheme was initially funded through a specific Government grant set at 90% of each local authority's Council Tax Benefit expenditure. Government funding since 2014/15 has been rolled into the Council's overall Revenue Support Grant settlement meaning the funding can no longer be specifically identified.
- 3.4 In September 2021, Policy Committee approved a proposal to consult on several improvements to its Local Council Tax Support Scheme with a view to streamlining administration and providing a greater level of support for residents. The proposed changes were as follows:
 - a) Provide an increase in support from the current 65% maximum to a value between 70% & 75% maximum, dependant on caseload change and affordability at Tax Base setting;
 - b) Remove minimum Council Tax Support award of £5 per month, (equivalent to £1.15 p/w) or less, to enable customers to receive the support they are entitled no matter how small;
 - c) Increase the upper capital limit from £3,000 to £6,000;

d) Allow a maximum of one month backdating provision and;

e) Set a standard rate of £10 Non-Dependant Deduction to apply for non-dependants irrespective of whether engaged and not engaged in remunerative work.

3.5 The statutory public consultation on the proposed changes to the local scheme was run on-line and took place from 27 September 2021 to 21 November 2021. Approximately 96,700 direct emails were also sent to residents (where we hold an email address) which included the link to the consultation. 1,254 responses were received, with over 70% in favour of the proposals. Appendix Two to this report sets out a summary of the responses received to the consultation.

3.6 The Equality Impact Assessment in respect of the proposed changes to the Council Tax Support Scheme is included at Appendix One

4. BACKGROUND

4.1 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. They can be: defined follows:

- A minimum payment - 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.
- A band cap - 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.
- An income banded scheme - assesses 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.

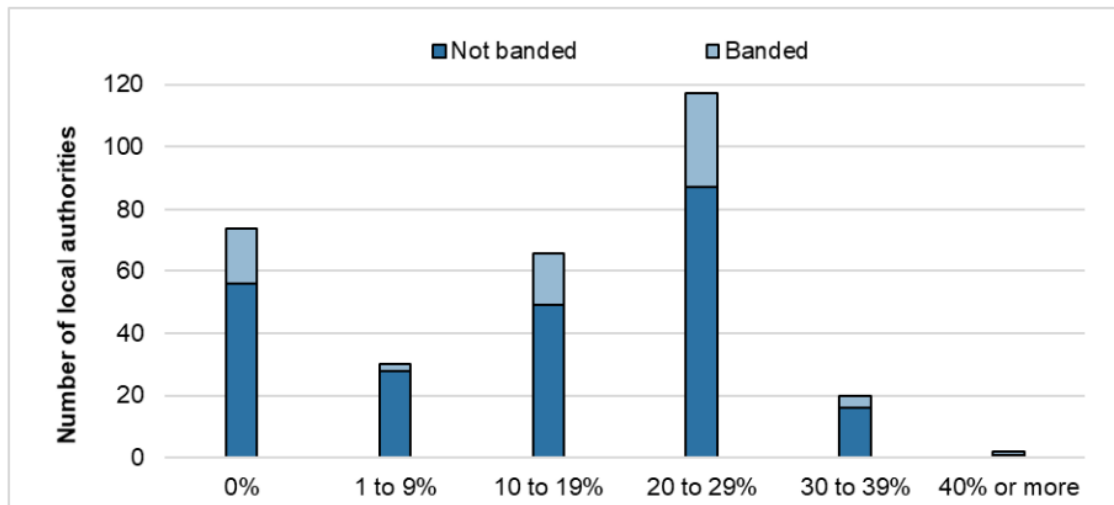
In 2021/22, of the 309 Local Authorities, relatively few made changes to their Schemes, which are detailed as follows:

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 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 based on a Band D Property Charge

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 current Scheme 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.

4.2 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" in a Band D property or below 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 available to residents in properties in bands above band D is 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.

Recommended Changes for 2022/23 - Persons of Working Age

4.3 Change One

The consultation in respect of this change gave 2 options. 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 allowed for consideration of caseload changes between the data modelling in August 2021 and Tax Base setting in January 2022.

As the caseload has remained stable from the original data modelling. The introduction of a 25% minimum contribution level would exceed all earmarked funding making it unviable. It is therefore recommended that the minimum contribution is reduced from 35% to 30%.

Para 10.1 below provides the full cost details of all proposed changes.

4.4 Change Two

Removing the current minimum support level of £5 per month (equivalent to £1.15 p/w) or less will reduce the number of LCTRS claims ending thus reducing the number of re-applications and ensures customers receive the support they are entitled no matter how small.

Currently, where a claimant’s income fluctuates and they remain eligible, but their award reduces below the minimum LCTRS level of £5, a full re-application is required if their circumstances change. Removing minimum award levels enables the claim to remain live and changes in income can be processed as a change of circumstance. This reduces both the administration burden for both customer and processing staff.

The number of claims during 2020/21 that failed to qualify, as they 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. It is therefore recommended that the minimum “Working Age” Council Tax Support of £5 per month, (equivalent to £1.15 p/w) or less be removed.

4.5 Change Three

It is recommended that the upper capital limit is increased from £3,000 to £6,000, which means that people with less than £6,000 will qualify for a reduction.

It is further recommended that the restriction on submitting a new claim during the remainder of the billing year where capital is subsequently spent is removed.

This change will reduce administration as the 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 know when the current limit was introduced in 2018/19, 121 claims were cancelled as a result of the reduction from £6k - £3k.

4.6 Change Four

It is recommended that a maximum of one month backdating provision is included within the scheme.

A working age claimant must have a good reason 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 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 be negligible.

Non-Dependant Deductions

4.7 Change Five - Non-dependant deductions

It is recommended that a standard rate of £10 Non-Dependant Deduction is introduced to apply regardless of whether a non-dependant is 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 benefit approximately 50 current CTRS 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 administrative overhead 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 to the Council's Local Council Tax Support Scheme will 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 A consultation exercise was carried out on the proposed amendments to the local Council Tax Support Scheme for the 2022/23 financial year.

- 7.2 The statutory consultation took place between the 29 September and 21 November 2021. A total of circa 96,700 customers were contacted directly by email to ask them for their views. In addition, the consultation questionnaire was published on the Council's website
- 7.3 Although Government's Code of Practice on Consultation states that 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.
- 7.4 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 for the reasons for the shorter period.
- 7.5 We have carried out the statutory consultation with results detailed at Appendix Two and this report forms part of the consultation process.
- 7.6 1,254 responses were received, 1,203 indicated they were residents (95.93%), 5 indicated they were local businesses (0.40%), 1 indicated they were voluntary sector (0.08%), 7 indicated they worked for a local charity (0.56%), 9 indicated they were landlords (0.72%), 12 said they were "others" (0.96%) and 17 did not answer (1.36%)

144 responders were currently in receipt of Council Tax Support (11.48% of respondents)

There were 5 proposals for change overall and in summary the responses were as follows:

- (i) 71.05% of respondents agreed with the proposal to increase the maximum amount of Council Tax Support. Those opposing either:
- Felt that the current support levels were sufficient
 - Had concerns on the overall tax increase required to support the change
 - Felt that a reduction should be offered to all tax payers irrespective of their circumstances
 - Felt that no resident should receive support irrespective of their circumstances

Of the 71.05% respondents in support of the change, 53.27% wanted to see minimum contributions reduce from 35% to 25%, 20.97% wanted to see minimum contributions reduce from 35% to 30% and 25.76% did not answer.

- (ii) 83.09% agreed with the proposal to remove minimum support levels of £5 per week. Those opposing either:
- Felt that the change would have little to no impact
 - Felt there would be a greater administrative burden
 - Had concerns on the overall tax increase required to support the change
 - Felt that a reduction should be offered to all tax payers irrespective of their circumstances
 - Felt that no resident should receive support irrespective of their circumstances

- (iii) 75.20% agreed with the proposal to increase the capital limit from £3,000 to £6,000. Those opposing either:
- Felt the current threshold was adequate
 - Felt there would be a greater administrative burden
 - Had concerns on the overall tax increase required to support the change
 - Felt that a reduction should be offered to all tax payers irrespective of their circumstances

- Felt that no resident should receive support irrespective of their circumstances
- Felt that residents would purposely deprive themselves of capital to qualify

(iv) 82.85% agreed with the proposal to allow 1 month backdating of claims. Those opposing either:

- Felt that the 1-month proposal was not long enough
- Felt the current limit was adequate
- Felt there would be a greater administrative burden
- Had concerns on the overall tax increase required to support the change
- Felt that no resident should receive support irrespective of their circumstances

(v) 80.62% agreed with the proposal to set a standard non-dependent deduction of £10 per week. Those opposing either:

- Felt the current deductions were adequate
- Felt that no deductions should be in place
- Felt that greater deductions should be in place
- Felt that the change should be the median of £10 & £15
- Had concerns on the overall tax increase required to support the change
- Felt that no resident should receive support irrespective of their circumstances

(vi) 23.13% of respondents had an order of preference of scheme changes with options ranked as follows:

- Increase the maximum amount of Council Tax Support
- Increase the capital limit from £3,000 to £6,000
- Remove minimum support levels of £5 per week
- Allow 1 month backdating of claims
- Set a standard non-dependent deduction of £10 per week

It is recommended by officers that the proposed changes detailed above are agreed. Officers advise these proposals will reduce the administrative burden on both customers and the Council and provide greater levels of support to ensure we continue to protect those most vulnerable

8. EQUALITY IMPACT ASSESSMENT

8.1 A Full 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 increasing Council Tax Support reduces the Tax Base, so less money is collected for each £1 of Council Tax set.

10. FINANCIAL IMPLICATIONS

- 10.1 The following four tables demonstrate the estimated LCTRS expenditure based on current caseloads. The tables demonstrate the varying additional funding requirements dependant on whether a 25% or 30% minimum payment is applied and whether a 1.99% or 2.99% increase in Council Tax is approved.

Table 1 - 30% minimum contribution and 1.99% Council Tax increase

Table 2 - 30% minimum contribution and 2.99% Council Tax increase

Table 3 - 25% minimum contribution and 1.99% Council Tax increase

Table 4 - 25% minimum contribution and 2.99% Council Tax increase

Table 1:

Cost Modelling based on 1.99% increase and 30% minimum contribution:	
Estimated LCTRS expenditure if Council Tax 22/23 total increase 1.99% and <u>scheme remains unchanged</u>	£8,446,608
Estimated LCTRS expenditure with 30% min. contribution	£8,803,539
Reduce Non-Dependant deduction	£12,779
Remove Council Tax Support minimum of £1.15 per week	£12,000
Increase capital limit £6000	£114,000
Total estimated LCTRS expenditure including all proposals	£8,942,318
Additional funding required to support proposals (variance between estimated required spend if no change and total of proposals)	£495,710

Table 2:

Cost Modelling based on 2.99% increase and 30% minimum contribution:	
Estimated LCTRS expenditure if Council Tax 22/23 total increase 2.99% and <u>scheme remains unchanged</u>	£8,538,702
Estimated LCTRS expenditure with 30% min. contribution	£8,899,501
Reduce Non-Dependant deduction	£12,793
Remove Council Tax Support minimum of £1.15 per week	£12,000
Increase capital limit £6000	£114,000
Total estimated LCTRS expenditure including all proposals	£9,038,294
Additional funding required to support proposals (variance between estimated required spend if no change and total of proposals)	£499,592

Table 3:

Cost Modelling based on 1.99% increase and 25% minimum contribution:	
Estimated LCTRS expenditure if Council Tax 22/23 total increase 1.99% and <u>scheme remains unchanged</u>	£8,446,608
Estimated LCTRS expenditure with 25% min. contribution	£9,160,295
Reduce Non-Dependant deduction	£12,898
Remove Council Tax Support minimum of £1.15 per week	£12,000
Increase capital limit £6000	£114,000
Total estimated LCTRS expenditure including all proposals	£9,299,193
Additional funding required to support proposals (variance between estimated required spend if no change and total of proposals)	£852,585

Table 4:

Cost Modelling based on 2.99% increase and 25% minimum contribution:	
Estimated LCTRS expenditure if Council Tax 22/23 total increase 2.99% and <u>scheme remains unchanged</u>	£8,538,702
Estimated LCTRS expenditure with 25% min. contribution	£9,260,089
Reduce Non-Dependant deduction	£12,927
Remove Council Tax Support minimum of £1.15 per week	£12,000
Increase capital limit £6000	£114,000
Total estimated LCTRS expenditure including all proposals	£9,399,016
Additional funding required to support proposals (variance between estimated required spend if no change and total of proposals)	£860,314

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

10.2 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 cost to each preceptor, dependant on whether a 25% or 30% minimum payment is applied and whether a 1.99% or 2.99% increase in Council Tax is approved.

Table 1 - 30% minimum contribution and 1.99% Council Tax increase

Table 2 - 30% minimum contribution and 2.99% Council Tax increase

Table 3 - 25% minimum contribution and 1.99% Council Tax increase

Table 4 - 25% minimum contribution and 2.99% Council Tax increase

Table 1:

Cost Modelling based on 1.99% increase and 30% minimum contribution:

RBC	85.63%	£424,476
Police	10.95%	£54,280
Fire	3.42%	£16,953
Total		£495,710

Table 2:

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

Table 3:

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

Table 4:

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

- 10.3 We recommend that all 5 change proposals are taken forward to Full Council, however based on affordability within the Medium-Term Financial Strategy (MTFS), we recommend that the 30% minimum contribution option is taken forward.

11. BACKGROUND PAPERS

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

APPENDIX THREE - 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	None	80.00%
Windsor & Maidenhead	£1,465.30	£16,000	None	80.50%

