



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2020/21**

**COUNCIL**

**20<sup>TH</sup> JANUARY 2021**

**LOCAL COUNCIL TAX REDUCTION SCHEME**

**REPORT OF: THE DIRECTOR OF FINANCE AND DIGITAL SERVICES**

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**1. PURPOSE OF THE REPORT**

- 1.1. This report fulfils the requirement to annually consider whether to revise or replace the Council's existing Council Tax Reduction Scheme ("CTRS") and the requirement to adopt a scheme by 31<sup>st</sup> January 2021.
- 1.2. As part of the review, the report sets out the changes to the CTRS that were introduced in April 2013. It explains the amendments proposed, the funding implications likely and documents the consultation outcomes allowing Members to consider the adoption of the Council's local CTRS for the 2021/22 financial year, which must be adopted by 31<sup>st</sup> January 2021.

**2. RECOMMENDATIONS**

2.1. It is recommended that Members:

- a) Note and adopt the provisions of the Prescribed Requirements Regulations and the amendments made to those regulations by the Amendment Regulations (as approved by Welsh Government (WG) on 12<sup>th</sup> January 2021) as the Council's local CTRS for 2021/22, subject to the local discretions that the Council is able to exercise;
- b) Note the outcome of the consultation exercise undertaken by the Council on the local discretions applicable to the CTRS for 2021/22; and
- c) Confirm the discretions applicable to the Council's local CTRS for 2021/22 as set out at paragraph 5.3 (Table 2) of this report.

### **3. BACKGROUND**

3.1. The CTRS in Wales is set by regulations made under Schedule 1B of the Local Government Finance Act 1992 (as inserted by the Local Government Finance Act 2012). On 26<sup>th</sup> November 2013, the National Assembly for Wales (NAfW) approved two sets of regulations:

- (a) the Council Tax Reduction Schemes (Default Schemes) (Wales) Regulations 2013 (“the Default Scheme Regulations”); and
- (b) the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 (“the Prescribed Requirements Regulations”) (together the “Regulations”).

The Regulations at (b) above prescribe the main features of the CTRS to be adopted by all councils in Wales.

3.2. The Prescribed Requirements Regulations contain an obligation, where each year a council must consider whether to revise its scheme, or to replace it with another scheme. Any revision or replacement must be made no later than 31<sup>st</sup> January in the year preceding the financial year for which the revision or replacement scheme will take effect. However, the Regulations were amended in January 2015 to remove the requirement for Local Authorities to consult in relation to changes made by Welsh Ministers where authorities have no discretion. This means that Local Authorities do not need to consult when the Prescribed Requirements Regulations are amended by WG annually, to reflect consequential amendments to other state benefit changes made by Welsh Ministers.

3.3. Although there is a national scheme for Wales, the Prescribed Requirements Regulations provide limited discretion for the Council to apply minor additional discretionary elements that are more generous than the national scheme and which provide for additional administrative flexibility. If the Council does decide to offer more generous local discretions this would further increase the cost of the CTRS. These are:-

- (a) The ability to increase the standard extended reduction period of 4 weeks given to persons who have ceased to receive qualifying benefits after they return to work (or increase hours or increase earnings), where they have previously been receiving a Council Tax reduction that is to end as a result of the change in their circumstances;
- (b) The ability to backdate the application of Council Tax reduction for periods longer than the standard period of 3 months before the claim is made; and
- (c) Discretion to disregard more than the statutory weekly £10 of income received in respect of War Disablement Pensions and War Widow’s Pensions (disregarded when calculating income of the applicant).

3.4. The Prescribed Requirements Regulations require the Council to adopt a CTRS by 31<sup>st</sup> January each year, regardless of whether it applies any of the discretionary elements set out in the preceding paragraph. If the Council fails to make a scheme, then a default scheme shall apply under the provisions of the Default Scheme Regulations. The Council can only apply discretion if it adopts a scheme under the Prescribed Requirements Regulations.

- 3.5. Each year, WG updates the Regulations to amend the financial values used to assess an applicant's entitlement. On 14<sup>th</sup> December 2020 the amending Regulations ~ (The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2020) (the "Amendment Regulations") ~ were laid before WG. Due to the WG's procedures which govern the making of the Regulations, the Amendment Regulations were formally considered by Plenary session of WG on 12<sup>th</sup> January 2021 and came into force the following day.
- 3.6. As detailed above, each year WG has to amend the Regulations to ensure that certain financial values used to calculate entitlement to a reduction for non-passported CTRS applicants are up-rated. For 2021/22, these changes relate to: -
- Personal allowances in relation to working age, carer and disabled applicants;
  - Personal allowances in relation to pensioner applicants; and
  - Non-dependant deductions.
- 3.7. In addition to any changes to the up-rating provisions referred to above, the Amendment Regulations incorporate further amendments to reflect consequential changes relating to social security benefits and other technical changes. A summary of all the main changes is set out in Appendix 1 to this report for information.

#### **4. CONSULTATION AND EQUALITY IMPACT ASSESSMENT**

- 4.1. The Regulations specify that in preparing its CTRS, a council must consult with any person it considers are likely to have an interest. Consequently, this requirement is met by incorporating a number of questions on the discretionary areas in the local CTRS, within the Council's general budget consultation process (which includes council tax levels and service priorities to inform the annual budget setting process).
- 4.2. Phase 1 of the annual budget consultation process for the 2021/22 financial year ran from 26<sup>th</sup> October to 7<sup>th</sup> December 2020 and was conducted using a 'digital by default' approach supplemented by alternative means of engagement for those having reduced or no access to the Internet and for those who prefer to engage through more traditional methods.
- 4.3. The overall response from the consultation process on the three discretionary areas available to the Council and which it could apply to its CTRS was as follows: -

**Table 1**

<b>Discretion Area</b>	<b>No. of Respondents</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Do you think that 4 weeks is a reasonable period to continue paying Council Tax Reduction when someone returns to work?	1,032	823	120	89
Do you think that it is reasonable for the Council to continue to totally disregard War Disablement and War Widow's Pensions income when assessing entitlement to CTR Scheme?	1,030	713	176	141
Do you think that 6 months is reasonable period to backdate claims for working age and pensioners?	1,033	790	133	110

- 4.4. In addition, presentations were made via Zoom to the Council's Finance and Performance Scrutiny Committee on 16<sup>th</sup> November 2020, the Older Persons Advisory Group on 25<sup>th</sup> November 2020 and the Disability Forum on the 1<sup>st</sup> December 2020. Feedback from these groups is included at Appendix 2.
- 4.5. In terms of an Equality Impact Assessment, the Council undertook a comprehensive equality impact assessment in January 2013 based on the original scheme. This has been reviewed in light of the minor changes to each subsequent year's scheme and it is evident that there are no amendments required.
- 4.6. The NAFW undertook a comprehensive Regulatory Impact Assessment in respect of the national Council Tax Reduction Scheme, which accompanied the Regulations when they were considered by the NAFW in November 2013.

## **5. ADOPTION OF THE COUNCIL TAX REDUCTION SCHEME**

- 5.1 The Council is required to adopt its CTRS by 31<sup>st</sup> January 2021. This requirement is a statutory duty and applies even if the Council chooses not to apply any of the discretions available to it. If the Council fails to make a scheme, then a default scheme will apply under the Default Scheme Regulations (as amended).
- 5.2 As set out in paragraph 3.3, the Council does have limited discretion to be more generous than the national scheme and provide for additional administrative flexibility (specified under Part 5, paragraphs (32) to (34) of the Prescribed Requirements Regulations).
- 5.3 Taking account of:-
  - (a) the responses to the Council's consultation exercise relating to the discretionary elements of the scheme;
  - (b) the existing Housing Benefit Scheme in relation to the treatment of War Pensions (widows, widowers and disablement), which disregards these payments in full; and
  - (c) the fixed funding made available by WG (as detailed at paragraph 6),

it is recommended that the approach to the available discretions should continue in line with the arrangements for 2020/21 as set out in Table 2.

**Table 2**

<p align="center"><b>Discretionary Parts of the Prescribed Requirements Regulations</b> <i>(Part 5 – Other Matters that must be included in an authority’s scheme)</i></p>	<p align="center"><b>Prescribed Requirements Regulations (Minimum Requirement)</b></p>	<p align="center"><b>Recommended Discretion to be adopted</b></p>
<p>Ability to increase the standard extended reduction period of 4 weeks given to applicants where they have previously been receiving a Council Tax reduction that is to end, as they have ceased receiving qualifying benefits as a result of returning to work, increasing their hours of work, or receiving increased earnings.</p> <p><i>Regulation 32 (3) paragraph (33) of Schedule 1 and Regulation 33 (3), paragraph (35) and (40) of Schedule 6.</i></p>	<p align="center">4 Weeks</p>	<p><u>Pensioners:</u> The standard period of <b>4</b> weeks specified in paragraph (33) of Schedule 1 will apply, and</p> <p><u>Non- Pensioners:</u> The standard period of <b>4</b> weeks specified in paragraph (35) and (40) of Schedule 6 will apply</p>
<p>Ability to backdate an application for CTR with regard to late claims prior to the standard period of 3 months before the claim is made.</p> <p><i>Regulation 34 (4) and paragraph (3) and (4) of Schedule 13.</i></p>	<p align="center">3 Months</p>	<p><u>Pensioners:</u> A period of <b>6</b> months will apply.</p> <p><u>Non-Pensioners:</u> A period of <b>6</b> months will apply.</p>
<p>Ability to disregard more than the statutory weekly £10 of income received in respect of War Disablement Pensions and War Widow's Pensions (disregarded when calculating income of the applicant);</p> <p><i>Regulation 34 (5), paragraphs 1(a) and 1(b) Schedule 4 and paragraphs 20(a) and 20(b) of Schedule 9</i></p>	<p align="center">£10</p>	<p><u>Pensioners:</u> The <b>total</b> value of any pension specified in paragraphs 1 (a) and (b), Schedule 4 will be disregarded.</p> <p><u>Non-Pensioners:</u> The <b>total</b> value of any pension specified in paragraphs 20 (a) and (b), Schedule 9 will be disregarded.</p>

5.4 It should be noted that there is no additional funding available from WG to fund the discretionary elements of the CTRS. The estimated cost of funding the discretionary elements of the Prescribed Scheme in **2020/21** is set out in Table 3 below:

**Table 3**

<b>Discretionary Element</b>	<b>Est. Annual Cost</b>	<b>No. of Applicants</b>
Extended Payments	£15,000	160
Backdated Payments	£4,500	45
War Disablement & War Widow's Pensions	£26,500	70
<b>Total est. cost</b>	<b>£46,000</b>	<b>275</b>

5.5 Accordingly, it is recommended that the Council adopts the Prescribed Requirements Regulations (as amended by the Amendment Regulations) which set out all the components that must be included in a CTR Scheme, as the Council's CTR Scheme for 2021/22 along with the discretions as set out in Table 2.

## **6. FINANCIAL IMPLICATION(S)**

6.1. The current estimated annual value of CTRS to be paid in **2020/21** is £25.375M, to 25,495 applicants (£23.984M to 24,650 applicants for 2019/20, as at December 2019). The additional cost implications which have arisen due to the increased caseload linked to the economic impact of the pandemic continue to be funded by WG.

6.2. Local Authorities receive fixed funding for the CTRS from WG, which means that as a local authority's caseload, and hence costs, changes from that assumed when the WG funding was set, the local authority bears the financial risk of any variance.

6.3 The amount allocated to councils by WG through the local government settlement takes no account of:

- Any increase in Council Tax levels that may be applied for 2021/22;
- The increase or decrease in the costs of awards under the CTRS if the number of claimants increase/decrease, or if claimants become eligible for more/less help; and
- The provision for Council Tax bad debt.

6.4 The total amount of cash-limited funding for 2021/22 distributed to the local authorities in Wales contained in the provisional Local Government Settlement announced on 22<sup>nd</sup> December 2020 is £244M (this has remained unchanged since 2013/14) and the Council's allocation for 2021/22 is £21.936M (representing 9.0% of the all Wales funding). This Council's allocation for 2020/21 was £21.564M.

6.5 Any change to actual Council Tax levels in 2021/22 made by the Council, will affect the cost of providing the local CTRS, which equates to approximately £247k for each 1% increase in Council Tax.

## **7. EQUALITY AND DIVERSITY IMPLICATIONS**

7.1 The equality and diversity implications are set out in the main body of the report.

## **8. CONSULTATION**

8.1 Consultation arrangements have been set out in the main body of the report.

## **9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

9.1 The relevant legislation has been referenced throughout the main body of the report.

## **10. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

10.1 The recommendation for the adoption of this CTRS and the local discretions will contribute to the Council's Corporate Plan 2020 – 2024 "Making a Difference" through focussing on supporting the economy, prosperity and promoting people's independence. In doing so, it will also contribute to the well-being goals as set out in the Well-being of Future Generations Act.

## **11. CONCLUSION**

11.1 Each year local authorities in Wales are under a statutory obligation to consider whether to revise their CTRS or to replace it with another scheme and any revision or replacement must be made by no later than 31<sup>st</sup> January in the year preceding the financial year for which the revision or replacement scheme will take effect.

11.2 This report provides Council with details of the proposed scheme to be applicable for financial year 2021/22.

**Council Tax Reduction Scheme**

**Amendments to the 2013 Regulations made by 2021**

**Regulations**

1. The new statutory instrument<sup>1</sup> amends the 2013 CTRS Regulations to up-rate certain figures used within those Regulations to calculate entitlement to a Council Tax Reduction, and the amount of any reduction awarded to applicants in 2021/22. It also makes a number of consequential and technical amendments to the 2013 CTRS Regulations to take account of interrelated benefits and ensure they remain fit for purpose.
2. The up-rating increases the various figures used to calculate an applicant's entitlement to a reduction and the amount of the reduction, in line with variations for living costs and earnings. The uprated figures relate to:

<b>Change</b>	<b>Impact</b>
<p><b>Personal allowances in relation to working age, carer and disabled applicants</b> The financial figures in respect of these allowances have been amended and have increased in line with the cost of living rises. The convention is to uprate in line with the Consumer Price Index September figure from the previous year (2020), which is 0.5%.</p>	<p><b>Costs</b> Uprating the financial figures in respect of pensioners and working age allowances would slightly increase total reductions under Council Tax Reduction Schemes. However, if the financial figures in relation to Non-Dependant Deductions were also uprated, this would mitigate some of the increase in total reductions. Consequently, total council tax reductions are not expected to rise significantly because of the uprating.</p> <p><b>Benefits</b> Uprating the financial figures in the 2013 CTRS Regulations will ensure that</p> <ul style="list-style-type: none"> <li>▪ the personal allowance for working age applicants continues to increase in line with the CPI (which is set at 0.5%). For example in 2021-22, the single person allowance would increase from £79.20 to £79.60 (an increase of £0.40).</li> <li>▪ the personal allowance for pensioners continues to increase in line with the standard minimum guarantee and savings credit. For example in 2021-2022, the single person allowance would increase from £187.80 to £191.50 (an increase of £3.70).</li> <li>▪ non-dependant deduction rates are uprated, this will ensure the calculation used to assess the eligibility of non-dependant households remains up-to-date. The calculation would continue to make a fair assessment of the income of non-dependants and the cost of council tax. This will ensure the system remains fair and equitable.</li> </ul>
<p><b>Personal allowances in relation to pensioner applicants</b> The financial figures in respect of pensioner rates have been amended and are aligned with Housing Benefit. These have been calculated with assistance from the Department of Work and Pensions and have been uprated by different mechanisms. For example, the Pension Credit standard minimum guarantee is uprated by earnings, whereas the Additional Pension and increments are uprated by prices.</p>	
<p><b>Non-dependant deductions</b> The financial figures in relation to both the income bands and deductions made in relation to 'non-dependants' will be uprated. If amendments are not made, appropriate deductions would not be made from CTRS awards as the income thresholds would no longer reflect average earnings and the deduction would no longer reflect the overall cost of council tax.</p>	

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<sup>1</sup> The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2021



### 3. Additional Consequential Amendments

In addition to the uprating of financial figures, this statutory instrument makes a number of consequential amendments to the 2013 CTRS Regulations. These will ensure the 2013 Regulations remain up-to-date and fit for purpose.

<b>Area/Issue</b>	<b>Effect of 2021 “Amendment” Regulations</b>
<p><u>Windrush Compensation Scheme</u> The scheme is designed to compensate individuals who have suffered loss in connection with being unable to demonstrate their lawful status in the United Kingdom.</p>	<p>The amendment is to make provision that compensation payments made under the scheme are disregarded from capital when determining an applicant’s eligibility for a reduction and the amount of that reduction.</p>
<p><u>Universal Credit Run-On Disregard</u> Entitlement to Universal Credit (UC) ends when a person (or mixed-age couple) reaches the qualifying age for state pension credit (PC). From this point, claimants can instead claim pension-age benefits such as Pension Credit (PC).</p> <p>Previously, claimants who reached state pension age during the assessment period risked there being a gap between their last UC payment and their first PC (and other pension-age benefits) payments. DWP is taking steps towards a smoother transition from UC to pension-age benefits, with no risk of gaps in entitlement for claimants. To achieve this, DWP is making additional UC run on payments to cover the entire month in which a claimant reaches pension-age. For some claimants, depending on which date within the month they reach this age, there will be an overlap in the receipt of this UC run-on payment and pension-age benefits.</p>	<p>The amendment is to make provision that any ‘additional income’ resulting from such an overlap is not to be considered as income when determining for a pension-age council tax reduction in Wales.</p>
<p><u>Changes to income and capital disregards</u> A number of payments are disregarded for the purposes of calculating ‘income’ and/or ‘capital’.</p>	<p>Will ensure these references in the 2013 Regulations remain up-to-date for 2021/2022.</p>

**Budget Consultation Feedback**

**Feedback from the Finance and Performance Scrutiny Committee (Virtual meeting via Zoom) – 16<sup>th</sup> November 2020**

Council Tax Reduction Scheme – 4 week period reasonable for return to work?

- Committee Members agreed that 4 weeks is a reasonable period to continue paying Council Tax Reduction when someone returns to work.

Council Tax Reduction Scheme – Exclude war disablement and war widow pension when assessing CTR scheme?

- Members agreed that it is reasonable for the Council to continue to totally exclude War Disablement and War Widow's Pensions income when assessing entitlement to the CTR Scheme.

Council Tax Reduction Scheme – Backdating claims by 6 months?

- Members agreed that 6 months is a reasonable period to backdate claims for working age and pensioners.

**Feedback / Views from the Older Persons Advisory Group (Virtual meeting via Zoom) – 25<sup>th</sup> November 2020**

Council Tax Reduction Scheme – 4-week period reasonable for return to work?

- Attendees agreed that this was a reasonable approach.

Council Tax Reduction Scheme – Exclude war disablement and war widow pension when assessing CTR scheme?

- Attendees agreed that this was a reasonable approach.

Council Tax Reduction Scheme – Backdating claims by 6 months?

- Attendees agreed that this was a reasonable approach.

**Feedback / Views from the Disability Forum (Virtual meeting via Zoom) – 1<sup>st</sup> December 2020**

Attendees fed back that they were in agreement with the statements proposed on Extended Payments, disregard War Disablement Pensions and War Widow's Pensions income when assessing the CTR Scheme and backdating claims. Specific feedback was provided in respect of backdating claims - "It is important in RCT because people don't claim and they need that discretion in place".