

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2014/15**

**CORPORATE SERVICES SCRUTINY COMMITTEE:**

**DATE:** 11<sup>th</sup> September 2014

**REPORT OF:**

**Group Director Corporate Services**

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**Agenda Item No.7**

Council Tax Reduction Scheme  
- Update

**1. Purpose or the Report**

- 1.1. The purpose of this report is provide Members with a review of the first 18 months of operation of the Council Tax Reduction Scheme (CTRS) that provides financial support to council tax payers to help meet their council tax bill.

**2. Recommendations**

- 2.1. It is recommended that Members:

- 2.1.1. Note the content of this report.

**3. Background**

- 3.1. The UK Government (UKG) announced in the 2010 Comprehensive Spending Review that Council Tax Benefit (CTB) would be abolished from 31<sup>st</sup> March 2013 and replaced with a localised support scheme. The policy objective behind this decision was two-fold:-
- to give councils a greater stake in the economic future of the local area and support their wider agenda of enabling economic growth across the UK
  - linked to its wider welfare reform agenda the level of funding for council tax support was to be cut by 10%.
- 3.2. The 10% cut in funding for replacement schemes was also accompanied by a change in the basis of funding - from a 'demand-led' to a fixed 'cash-limited' budget basis.
- 3.3. Although Council Tax is a devolved policy area in Wales and Scotland, CTB, as with other social security matters, was not devolved. The delivery and administration of CTB was the responsibility of local authorities, but the rules used to determine eligibility and calculate entitlement were made by the Department for Works & Pensions, not WG. People in receipt of certain welfare benefits were entitled to maximum CTB, which could have been up to 100 per cent of the Council Tax bill.
- 3.4. On 31<sup>st</sup> March 2013, CTB was abolished and responsibility for providing support for Council Tax and the funding associated with it was passed to local authorities in England, to the Scottish Government in Scotland and to the Welsh Government (WG) in Wales. All existing households receiving CTB on that date, were automatically transferred onto the new replacement scheme

## 4. Development of CTRS in Wales

### Year 1 - 2013/14 financial year

- 4.1. WG worked in partnership with local authorities in Wales to design and implement a new scheme to provide Council Tax support for the residents of Wales<sup>1</sup>. Although WG had some flexibility regarding the design and implementation of the CTRS, the new scheme needed to be viable within the reduced level of funding to be made available by the UKG, with support being managed within the new annual fixed budget.
- 4.2. WG took the decision to establish a single national framework scheme to provide a consistent level of Council Tax support across Wales, rather than allow each council to determine its own local scheme (as was the case in England and Scotland) to avoid a 'post-code lottery'. However, WG was not in a position to make good the 10% funding shortfall.
- 4.3. In addition to the constraints above and following a consultation process, WG set out the overarching design principles for the new scheme for 2013/14:
- nationally-defined scheme to provide consistent level of support across Wales;
  - limit Council Tax support to a fixed percentage;
  - no specific protection available for OAP's or other vulnerable groups
  - a small number of discretionary elements, similar to those available under the current CTB scheme, available to councils to respond to their differing local circumstances (provided that the costs of any local variation were locally funded);
  - the Regulations for CTRS would be closely based on the CTB system but incorporate a number of simplifications to minimise complexity for applicants and councils and ensure the scheme would be successfully delivered given the tight timetable;
  - the first year of the scheme would be an interim arrangement.
- 4.4. A number of options within these parameters were developed along with options to meet the 10% reduction in funding from the UKG. The final proposals were considered by the National Assembly for Wales (NAFW) in December 2012 and it agreed:-
- to reduce the maximum level of support available before entitlement is calculated by 10% i.e. the maximum entitlement was set at 90% of Council Tax liability (compared to 100% in the CTB scheme).
  - to remove the Second Adult Rebate element from the new CTRS<sup>2</sup>
- 4.5. The total cost of the new CTRS across Wales was estimated at £222M (the amount transferred by the UKG to the NAFW), and the Regulations passed by WG in late December 2012, reflected this position.
- 4.6. However, in mid-January 2013, WG announced that it would supplement the UK Government funding with £22M of its own resources (due to concerns about the wider implications of associated parts of the UKG welfare reform agenda) to mitigate the impact on CTRS claimants in Wales. As a result of this decision, the maximum level of entitlement was restored back to 100% of Council Tax liability (from 90% set in the Regulations passed in December).

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<sup>1</sup> The Local Government Finance Act 1992 (the 'Act') was amended to provide Welsh Ministers with executive powers to introduce Council Tax reduction schemes in Wales.

<sup>2</sup> This formed part of the CTB scheme and was available to people who could afford to pay their Council Tax, but who shared their home with someone on a low income who didn't pay Council Tax themselves.

- 4.7. The CTRS Regulations included a 'sunset clause' which limited their effect to the 2013/14 financial year only. This was to enable a full scrutiny of the 2013/14 Scheme by the NAFW prior to introducing new regulations by 1st January 2014 for 2014-15 financial year and subsequent years

#### How is entitlement to CTRS calculated?

- 4.8. Entitlement is calculated in the same way it was under the previous Council Tax Benefit system. If an applicant receives Income Support, Income Based JSA, Income Based ESA, Pension Credit, or Pension Credit Guarantee, they are entitled to a 100% reduction in their Council Tax liability (less any deductions for non-dependants). This entitlement, based on receipt of other qualifying benefits, is commonly known as 'passporting'.
- 4.9. For those applicants who do not receive a 'passported benefit' a full means tested assessment is carried out that compares the applicant's total income (adjusted for some income that is specifically disregarded) and income assumed to be earned from any savings/capital in excess of £6,000 (or £10,000 for pensioners).
- 4.10. The applicants 'applicable amount' is then determined (the weekly amount deemed necessary to live on according to a person's circumstances). This consists of two elements, firstly a personal allowance (according to age and number of children) and secondly any 'premiums' (due to disability of old age) which increase the cost of living.
- 4.11. The applicants assessed 'income' is then compared to the relevant 'applicable amount'. If the applicable amount is higher than an applicant's calculated income, they are entitled to the maximum reduction in their Council Tax liability. If income exceeds the applicable amount, the weekly entitlement is reduced by 20p for each £1 of weekly income above the 'applicable amount', entitlement is reduced/withdrawn – this is known as the taper.

#### Discretions available to Local Authorities within CTRS

- 4.12. The CTRS Regulations require councils to adopt a CTRS by 31 January each year – this is known as the Prescribed Requirements Scheme, but if a council fails to make a scheme, then a default scheme will apply under the provisions of the Default Scheme Regulations. If a council adopts a scheme under the Prescribed Requirements Regulations it can apply a limited number of discretions to take the needs and priorities of local applicants into account; although these discretions only allow a council to be more generous than the national scheme.
- 4.13. These local discretions which are more generous than the minimum amounts set out in the Regulations are:-
- Extended Payments - ability to increase the standard extended reduction period of 4 weeks an applicant is entitled to receive CTRS for after they return to work;
  - Backdating - the ability to backdate the application of Council Tax reduction for periods longer than the new standard period of 3 months before the claim is made;
  - War Widow's and War Disablement Pension – the 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).

## Year 2 - 2014/15 financial year

- 4.14. As a result of the 'sunset clause' in the 2012 Regulations, WG continued to work with local government representatives, to look at areas where the original regulations could be improved. Following a technical consultation undertaken in autumn 2013, a number of minor changes to the original regulations were made and amended regulations were issued by WG<sup>3</sup> (these changes were mainly technical). The revised CTRS regulations for 2014/15 which were approved on 26<sup>th</sup> November 2013, no longer contain a sunset clause.
- 4.15. As was the case with the 2012 Regulations, the revised 2013 Regulations replicated the limited discretion given to the Council to apply additional discretionary elements that are more generous than the national scheme – at the council's own cost.
- 4.16. The Local Government Settlement for 2014/15 maintained the same level of funding across Wales as in 2012/13 - £244M. The impact of this was that any proposed increase in Council Tax levels would have a direct affect on CTRS expenditure, which had to be met locally. How this decision by WG impacts on RCT is considered in paragraph 5 below.

## **5. THE OPERATION OF THE CTRS IN RHONDDA CYNON TAF**

### Adoption of the CTRS by the Council

- 5.1. The Regulations require the Council to adopt a CTRS by 31<sup>st</sup> January each year. The obligation is a statutory duty and applies even if the Council chose not to apply any of the discretions available to it. If the Council fails to make a scheme by 31<sup>st</sup> January then a default scheme will apply.
- 5.2. The Council's consultation process (including the views of the School Budget Forum and the Council's Scrutiny Committees) on council tax levels and service priorities to inform the annual budget setting process for 2014/15 also included a consultation on its proposed CTRS.
- 5.3. Taking into account the responses to the consultation exercise, it was agreed that the approach to the available discretions contained within the Prescribed Requirements Regulations should replicate the approach taken by the Council in 2013/14. The discretions adopted for 2014/15 are set out in Appendix 1 for information.
- 5.4. It should be noted that there are no additional monies available from WG to fund the discretionary elements of the CTRS. The local cost of funding the discretionary elements of the CTRS in 2013/14 is shown in Table 1 below:-

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<sup>3</sup> The Council Tax Reduction Schemes (Default Schemes) (Wales) Regulations 2013 ("the Default Scheme Regulations") and the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 ("the Prescribed Requirements Regulations").

**Table 1**

Extended Payments	£35,000
Backdated Payments	£11,000
War Disablement & War Widows Pensions	£30,000
<b>Total est. cost</b>	<b>£76,000</b>

**Financial Issues and Risks**

- 5.5. The value and caseload (split by pension-age and working-age claimants) of CTRS for 2013/14 (actual) and 2014/15 (estimated), is as follows:-

**Table 2**

Claim Type	2013/14 (actual)		2014/15 (est.)	
	Number	CTRS Value	Number	CTRS Value
Working Age	17,142 (60%)	£13.058m (58%)	17,034 (60%)	£13.767m (60%)
Pensioner	11,635 (40%)	£9.456m (42%)	11,421 (40%)	£9.285m (40%)
<b>Total</b>	<b>28,777 (100%)</b>	<b>£22.510m (100%)</b>	<b>28,455 (100%)</b>	<b>£23.052m (100%)</b>

- 5.6. The actual amount of cash-limited funding for 2014/15 distributed to the local authorities in Wales is contained in the Final Local Government Settlement each year. Of the total Wales funding made available for the past 2 years i.e. £244M, the Council's allocation for 2013/14 and 2014/15 was as follows:-

**Table 3**

Year	RCT Funding	% age of Total Wales funding
2013/14	£22.061M	9.04%
2014/15	£21.959M (-0.5%)	8.99%

- 5.7. Local Authorities receive fixed funding for the CTRS scheme from WG which is fundamentally different than funding received from the DWP for the former Council Tax Benefit system (which was demand-led). This means that as a LAs caseload, and hence costs, change from that assumed when the WG funding was set, then the council will bear the financial risk of any variance. The amount allocated to councils by WG takes no account of:

- Any increase in Council Tax levels that may be applied;
- The increase in the costs of awards under the CTRS, if claimant numbers increase, or if claimants become eligible for more help (and to the extent that the experience in Rhondda Cynon Taf varies from the national assumptions made by the Office of Budget Responsibility and DWP); and
- Provision for Council Tax bad debt which is likely to be at a higher percentage due to the impact of the wider welfare reforms that may affect Council Tax payers generally.

5.8. The impact of decisions around Council Tax levels when setting the Council's annual revenue budget is directly linked to the cost locally of the Council's CTRS due to the number of households receiving assistance towards their council tax costs. As nearly 30% of the households in the County Borough receive CTRS the cost of providing the local CTRS is approximately £230k for each 1% rise in Council Tax. The budget impact of the CTRS for 2013/14 and 2014/15 is set out below:-

**Table 4**

	CTRS	CTRS funding	Funding	Budget Implication	
				RCT Budget	Variance
2013/14	£22.510m (act.)	£22.061m	£0.449m	£22.061M	-
2014/15	£23.052m (est.)	£21.959m	£1.093m (est)	£23.504m	+£1.443m

5.9. Some key statistical data on the operation of CTRS in Rhondda Cynon Taf over the past 18 months is set out in Appendix 2 for information.

## 6. Welsh Governments Longer Term Plans for CTRS in Wales

- 6.1. The Minister for Local Government & Government Business announced in August 2013, that WG would consider a longer term solution for Council Tax Support in Wales. The stated policy aim of this review was to ensure that arrangements were sustainable and equitable for the 320,000 residents who qualified for CTRS payments.
- 6.2. Despite the 10% cut in funding for replacement schemes, WG's national framework scheme has maintained entitlements at 100% by providing an additional £22M each year, in addition to the £222M transferred by UKG for the first 2 years of operation..
- 6.3. Initiated in August 2013, a Task & Finish Group comprised of WG official and representatives drawn from local government, the WLGA and Citizens Advice Bureau, undertook an in-depth review of all options for the future design of Council Tax Support in Wales. The review considered a number of issues including:-
- The wider effects of the UKG welfare reform agenda
  - Should the cost of the funding gap be met by:-
    - Cost sharing between WG and LA
    - Reducing the level of entitlement
  - Whether the national framework scheme should continue
  - Modelled the impact of various different scheme design options to evaluate the financial and equalities impact including:-
    - Reducing support by a fixed percentage
    - Capping CTRS entitlement at a specific Council Tax Band B
    - Removing entitlement for properties above Band E
    - Capping entitlement at the Band below the one the recipient lives
    - Increasing the taper to 30%
  - Changes to Council Tax that could help meet the funding gap
  - If entitlement was reduced, should any groups of residents be protected e.g. OAPs
  - Reviewed the research on the impact of changes to CTR Schemes in England<sup>4</sup>

<sup>4</sup> Research published by the Institute of Fiscal Studies; Joseph Rowntree Foundation and the National Audit Office

- 6.4. Following analysis of the results of a full consultation process undertaken between December 2013 and March 2014<sup>5</sup> and guidance from the Task & Finish Group, WG Ministers decided to continue with the existing CTRS design with low income households continuing to receive full entitlement maintained through a national framework scheme.
- 6.5. In addition, WG decided to continue to maintain the level of funding for CTRS at £244M (the 2013/14 cost base); the impact of which means that councils will need to fund the additional costs arising from any annual increases in Council Tax.
- 6.6. WG view is that by maintaining entitlements for the next 2 years ( until 2016/17) provides stability to both councils and recipients of CTRS and removes the administrative burden on councils of issuing and collecting small value bills from households unaccustomed to paying Council Tax.

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<sup>5</sup> <http://wales.gov.uk/consultations/localgovernment/council-tax-reduction-scheme-review/?status=closed&lang=en>





**Council Tax Reduction Scheme 2014/15**  
**Discretions adopted by the Council**

Discretionary Parts of the Prescribed Requirements Regulations	Prescribed Requirement Regulations (Minimum Requirement)	Recommended Discretion to be adopted
<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>	4 Weeks	<p><u>Pensioners:</u> The standard period of 4 weeks specified in paragraph (33) of Schedule 1 will apply, and</p> <p><u>Non- Pensioners:</u> The standard period of 4 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>Regulation 34 (4) and paragraph (3) and (4) of Schedule 13.</p>	3 Months	<p><u>Pensioners:</u> The standard period of 3 months specified in paragraph (3) of Schedule 13 will apply,</p> <p><u>Non-Pensioners:</u> The standard period of 3 months specified in paragraph (4) of Schedule 13 will apply,</p>
<p>Ability to disregard more than the statutory weekly £10 of income received in respect of War Disablement Pensions and War Widows Pensions (disregarded when calculating income of the applicant);</p> <p>Regulation 34 (5), paragraphs 1(a) and 1(b) Schedule 4 and paragraphs 20(a) and 20(b) of Schedule 9</p>	£10	<p><u>Pensioners:</u> The total value of any pension specified in paragraph (1) of Schedule 4 will be disregarded.</p> <p><u>Non-Pensioners:</u> The total value of any pension specified in paragraph (20) of Schedule 9 will be disregarded.</p>



## Council Tax Reduction Scheme in Rhondda Cynon Taf

### Summary of Key Data and Trends

#### 1) Caseload Trend

In August 2014, 'live' caseload for CTRS was 28,455 which has decreased from CTRS inception. Table 1 shows live caseload for RCT has been falling steadily month-on-month since 1<sup>st</sup> April 2013 (when the live caseload was 29,230) – a reduction in caseload of 775 (-2.7%). This follows a similar trend across Wales, which has seen a corresponding reduction of -3.3% in caseload over the same period. This may be due to the UKG's wider welfare reforms as well as a general improvement in the economy.

Table 1

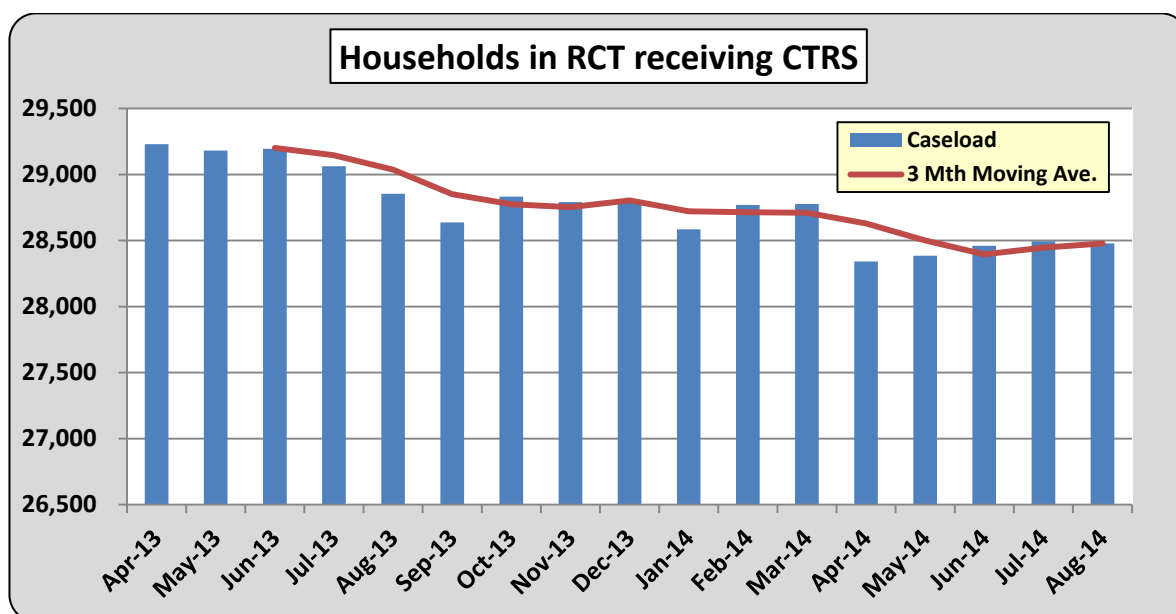


Table 2 below compares the change in caseload within RCT to the movement across Wales. It can be seen that the overall reduction across Wales has been higher than the reduction experienced within RCT (+1%).

Table 2: RCT caseload compared to Wales Average

	Caseload @ Aug '14	LA Share of Caseload	Change since Apr'13	No. of Households liable for Council Tax	Caseload as % of liable households
<b>RCT</b>	28,455	9.1%	-2.6%	101,666	27.9%
<b>Wales</b>	312,564	100%	-3.6%	1,343,031	23.3%

#### 2) Analysis of CTRS by Tax Band (as at 1<sup>st</sup> August 2014)

Table 3 below shows the number of CTRS claims by Council Tax Band (split by working age and pensioner applicants). This shows that 86% of CTRS applicants live in Band A and B properties (the percentage of properties in total in those Bands within RCT is 66%).

**Table 3: CTRS awarded by Council Tax Band (split by working age and pensioner age)**

Tax Band	Working Age	Pension Age	Total	CTB Value	Ave. CTR Award
A	11,570	6,832	18,402	£13,591,012	£736
B	3,504	2,711	6,215	£5,377,371	£862
C	1,402	1,275	2,677	£2,641,596	£983
D	353	393	746	£821,629	£1,098
E	137	140	277	£378,258	£1,361
F	51	52	103	£177,513	£1,718
G	15	18	33	£60,540	£1,829
H	2		2	£4,496	£2,243
<b>Total</b>	<b>17,034</b>	<b>11,421</b>	<b>28,455</b>	<b>£23,052,415</b>	<b>£808.08</b>

### 3) Analysis of Caseload by Type of Claim

Table 4 below shows an analysis of CTR claims by type of claim i.e. passported benefit (applicants receiving 100% entitlement) and non-passported applicants (receiving less than 100% support) as explained in paragraph 4.8 of the report.

This indicates that 73% of applicants are passported (3<sup>rd</sup> highest %age in Wales) with Pension Guarantee Credit being the most frequent benefit in payment (28%). The comparable figures across Wales are 70% and 29% respectively (see Table 5).

Overall RCT's caseload has fallen by 751 applicants since April 2013, with the biggest reduction in percentage terms being experienced by those claiming Job Seekers Allowance (-29%).

**Table 4 – Analysis of Claims by Type for RCT**

Income status	Apr-13		Aug-14		Variance	
	Volume	% of Caseload	Volume	% of Caseload		
Pension Guarantee Credit	8,748	30%	8,092	28%	-656	-7%
Income Support case	5,041	17%	3,886	14%	-1,155	-23%
Job Seekers Allowance (Income based)	3,138	11%	2,233	8%	-905	-29%
Employment Support Allowance (Income Related)	4,426	15%	6,455	23%	2,029	46%
<b>Passported - Total</b>	<b>21,353</b>	<b>73%</b>	<b>20,666</b>	<b>73%</b>	<b>-687</b>	<b>-3%</b>
<b>Standard case (not passported benefit)</b>	<b>7,877</b>	<b>27%</b>	<b>7,789</b>	<b>27%</b>	<b>-88</b>	<b>-1%</b>
<b>Total</b>	<b>29,230</b>	<b>100%</b>	<b>28,455</b>	<b>100%</b>	<b>-775</b>	<b>-2.7%</b>

Table 5 below shows a comparison of CTR claims by type within RCT to the all Wales position.

**Table 5 - Analysis of Claims by Type for RCT compared to Wales**

Income status	RCT			Wales		
	Volume	% of Caseload	Ave. CTRS Award	Volume	% of Caseload	Ave. CTRS Award
Pension Guarantee Credit	8,748	29.9%	£864	92,096	29.5%	£885
Income Support case	5,041	17.2%	£838	36,435	11.7%	£840
Job Seekers Allowance (Income based)	3,138	10.7%	£824	25,164	8.1%	£807
Employment Support Allowance (Income Related)	4,426	15.1%	£857	64,123	20.5%	£843
<b>Passported - Total</b>	<b>21,353</b>	<b>73.1%</b>	<b>£859</b>	<b>217,818</b>	<b>69.7%</b>	<b>£858</b>
<b>Standard case (not passported benefit)</b>	<b>7,877</b>	<b>26.9%</b>	<b>£679</b>	<b>94,746</b>	<b>30.3%</b>	<b>£673</b>
<b>Total</b>	<b>29,230</b>	<b>100.0%</b>	<b>£810</b>	<b>312,564</b>	<b>100.0%</b>	<b>£801</b>

#### 4) CTRS by Household Characteristic

An analysis in RCT showing the numbers and value of CTRS awarded to households with specific characteristics, including pensioners, disabled and households with children (and where those children are under 5), compared to the all Wales averages are shown in Table 6 below (percentages represent % of total caseload):-

**Table 6**

	Working Age	Ave. CTR	Pension Age	Ave. CTR	Disabled	Ave. CTR	With Children	Ave. CTR	With Children under 5	Ave. CTR
RCT	17,034	£806	11,421	£811	8,162	£840	8,223	£817	3,597	£814
	60%		40%		29%		29%		13%	
Wales	181,888	£790	130,496	£816	78,355	£840	88,684	£812	37,902	£810
	58%		42%		25%		28%		12%	

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