

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2014/15

COUNCIL

14th JANUARY 2015

	Agenda Item No. 9
LOCAL COUNCIL TAX REDUCTION SCHEME	

REPORT OF:

Group Director, Corporate & Frontline 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 31st January 2015.
- 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 2015/16 financial year, which must be adopted by 31st January 2015.

2. RECOMMENDATIONS

2.1. It is recommended that Members:

- a) Note the making of the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 ("the Prescribed Requirements Regulations") by the National Assembly for Wales ("NAfW") on 26 November 2013 (as amended);
- b) Note that proposed amendments to the Prescribed Requirements Regulations by the draft Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2015 ("the Amendment Regulations") are due to be considered by the NAfW on the 20th January 2015;
- c) Note the outcome of the consultation exercise undertaken by the Council on the local discretions applicable to the Council Tax Reduction Scheme for 2015/16;
- d) Adopt the provisions of the Prescribed Requirements Regulations and subject to 2.1(f) below any amendments made to those regulations made by the Amendment Regulations, as the Council's local Council Tax Reduction Scheme for 2015/16 subject to the local discretions that the Council is able to exercise as set out in (e) below;

- e) Confirm the following as local discretions applicable to the Council's local CTRS as provided for within Part 5 of the Prescribed Requirements Regulations:

Discretionary Parts of the Prescribed Requirements Regulations (Part 5 – Other Matters that must be included in an authority's scheme)	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>	<p>4 Weeks</p>	<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><i>Regulation 34 (4) and paragraph (3) and (4) of Schedule 13.</i></p>	<p>3 Months</p>	<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 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>£10</p>	<p><u>Pensioners:</u> The total value of any pension specified in paragraphs 1 (a) and (b), Schedule 4 will be disregarded.</p> <p><u>Non-Pensioners:</u> The total value of any pension specified in paragraphs 20 (a) and (b), Schedule 9 will be disregarded.</p>

- f) To delegate to the Chief Executive (in consultation with the Leader) authority to consider, approve and/or deal with as necessary any amendments which may be made to the Amendment Regulations as defined in 2.1(b) following consideration by the NafW on the 20th January 2015.

3. BACKGROUND

3.1. The Council Tax Reduction Scheme 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 26th November 2013, the National Assembly for Wales approved two sets of regulations:

- 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”)

(together the “Regulations”).

These Regulations prescribe the main features of the CTRS to be adopted by all councils in Wales.

3.2. The Regulations also contain an obligation, where a council must consider each financial year, whether to revise its scheme or to replace it with another scheme. Any revision or replacement must be made no later than 31st January in the year preceding the financial year for which the revision or replacement scheme will take effect.

3.3. At present the Regulations do not contain any definition of “revisions” to schemes nor do they make any distinction as to the possible categories of revision. For example minor technical changes such as annual up-rating to mirror Housing Benefit up-rating or other changes required by legislation, to reflect consequential amendments to other state benefits could be considered a revision, which in turn could invoke the requirements in the Regulations relating to consultation and adoption of schemes.

3.4. Although there is a national scheme for Wales, the Prescribed Requirements Regulations provide limited discretion for the Council to apply additional discretionary elements that are more generous than the national scheme and which provide for additional administrative flexibility, but 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, where they have previously been receiving a Council Tax reduction that is to end as a result of their return to work;
- 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;
- 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);

3.5. The Council adopted its Council Tax Reduction Scheme for 2014/15 on 15th January 2014. The Prescribed Requirements Regulations require the Council to adopt a CTRS by 31st January, regardless of whether it applies any of the discretionary elements set out in paragraph 3.4 above. 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.

- 3.6. Each year, WG updates parts of the Regulations to increase the financial figures used to assess applicant's entitlement, in line with inflation. However, this is not able to be done until these figures are released following the Chancellor's Autumn Statement (which is usually made in early December). Following the Autumn Statement on 3rd December 2014, the Regulations will now need to take account of amending regulations proposed by NAFW.
- 3.7. The amending regulations (The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2015) – the "Amendment Regulations" - were laid before the NAFW on 11th December 2014, but due to the Assembly's procedures which govern the making of the regulations, the Amendment Regulations are not due to be approved by the NAFW until 20th January 2015 (a letter from the Minister for Public Service explaining this process is attached at Appendix 1 to this report). It should be noted that a subsequent e-mail was received from NAFW confirming that the plenary debate would take place on 20th January 2015 and not 27th January 2015 as originally planned. This is a similar situation to that which arose when Council adopted it's 2014/15 CTRS in January 2014.
- 3.8. As well as changes to the up-rating provisions referred to in paragraphs 3.3 and 3.6 above, the Amendment Regulations incorporate additional amendments to reflect consequential changes relating to social security benefits and other technical changes. A summary of the main changes are set out in Appendix 2 to this report for information.
- 3.9. As the Amending Regulations will not be passed until after this Council meeting and in order for the Council to meet its statutory responsibility of adopting a CTRS before the 31st January deadline, it is recommended that Council delegate to the Chief Executive (in consultation with the Leader) authority to consider, approve and/or deal with as necessary any amendments which may be made to the Amendment Regulations following consideration by the NAFW on the 20th January 2015.

4. CONSULTATION AND EQUALITY IMPACT ASSESSMENT

- 4.1. The Regulations specify that in the preparation of a scheme, a council must consult with any person it considers are likely to have an interest. Consequently, consultation was undertaken on the CTRS as part of the Council's general budget consultation process (on council tax levels and service priorities to inform the annual budget setting process for 2015/16).
- 4.2. The consultation process ran from 10th November to 17th December 2014 and was conducted via an online survey, hard copy questionnaires and opportunities at 'drop-in' sessions.
- 4.3. In addition, a presentation was made at the Older Persons Advisory Group on 26th November 2014, the School Budget Forum on 2nd December 2014, and also included contributions from the Council's Scrutiny Committees.
- Environmental Services Scrutiny Committee – 01/12/14
 - Corporate Services Scrutiny Committee – 03/12/14
 - Community & Children's Services Scrutiny Committee – 15/12/14
 - Education & Lifelong Learning Scrutiny Committee – 11/12/14
 - Overview & Scrutiny Committee – 17/12/14

- 4.4. 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

Discretion Area	Yes (%)	No (%)	Don't Know (%)
Do you think that 4 weeks is a reasonable period to continue paying Council Tax Reduction when someone returns to work?	63.5	16.5	20.0
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?	52.7	31.2	16.1
Do you think that 3 months is reasonable period to backdate claims for working age and pensioners?	69.5	14.6	15.9

- 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 years 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 obliged to adopt a CTRS by 31st January 2015 under the requirements of the Prescribed Requirement Regulations (as amended). The obligation 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 detailed at paragraph 3.6 above, each year the NAFW has to amend the Regulations to ensure that the assessment calculation for CTRS applicants is up-rated in line with those for Housing Benefit. In addition to the up-rating provisions, the Amendment Regulations incorporate additional amendments to reflect consequential changes relating to social security benefits and other technical changes which include:-
- Removing the requirement for Local Authorities to publish a draft scheme and consult interested persons where a Billing Authority revises a scheme in consequence of amendments made to the Prescribed Requirement Regulations. The effect of this amendment is to remove the requirement for local authorities to consult in relation to changes made by Welsh Ministers where authorities have no discretion (as opposed to the discretionary areas of the scheme outlined in paragraph 3.4).
- 5.3. Part 5 of the Prescribed Requirements Regulations identifies which parts of the prescribed requirements of a scheme are minimum only requirements and those parts in respect of which local authorities have an element of discretion. As set out in paragraph 3.4 above, 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).

5.4. 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 (explained in paragraph 6),

it is recommended that the approach to the available discretions contained within the Prescribed Requirements Regulations should replicate the approach taken by the Council in 2014/15 as follows:-

Table 2

Discretionary Parts of the Prescribed Requirements Regulations (Part 5 – Other Matters that must be included in an authority's scheme)	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>	<p>4 Weeks</p>	<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><i>Regulation 34 (4) and paragraph (3) and (4) of Schedule 13.</i></p>	<p>3 Months</p>	<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 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>£10</p>	<p><u>Pensioners:</u> The total value of any pension specified in paragraphs 1 (a) and (b), Schedule 4 will be disregarded.</p> <p><u>Non-Pensioners:</u> The total value of any pension specified in paragraphs 20 (a) and (b), Schedule 9 will be disregarded.</p>

5.5. 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 2014/15 is set out in Table 3 overleaf:

Table 3

Discretionary Element	Est. Cost	No. of Applicants
Extended Payments	£37,000	1,020
Backdated Payments	£7,000	250
War Disablement & War Widows Pensions	£38,000	105
Total est. cost	£82,000	

5.6 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 CTRS, as the Council's CTRS for 2015/16 (subject to the discretions set out in Table 2 of paragraph 5.4 above).

6. **FINANCIAL ISSUES AND RISKS**

6.1. The current estimated annual value of CTRS to be paid in 2014/15 is £22.985M, to 28,122 applicants, as follows:-

Table 4

Claim Type	Number	CTRS Value (£'000)
Working Age	16,140 (57%)	£13,102 (57%)
Pensioner	11,982 (43%)	£9,883 (43%)
Total	28,122 (100%)	£22,985 (100%)

6.2 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 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 takes no account of:

- Any increase in Council Tax levels that may be applied for 2015/16;
- 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 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.

6.4 The actual amount of cash-limited funding for 2015/16 distributed to the local authorities in Wales is contained in the Final Local Government Settlement announced on 10th December 2014. Of the total Wales funding made available i.e. £244M, this Council's allocation for 2015/16 is £22.157M (an increase of 0.1% on 2014/15).

6.5 The amount of funding from WG for 2014/15 was £21.960M; however due to demand levels at the time of setting the 2014/15 budget this Council set a budget of £23.504M. Based on the estimated out-turn expenditure for 2014/15 (£22.985M, as per Quarter 2 Performance Report) there is an estimated underspend position against our budget of £0.519M.

6.6 Any change to actual Council Tax levels in 2015/16 made by the council will impact on the cost of providing the local CTRS which equates to approximately £229k for each 1% rise in Council Tax.

Leighton Andrews AC / AM
Y Gweinidog Gwasanaethau Cyhoeddus
Minister for Public Services



Llywodraeth Cymru
Welsh Government

David Melding AM
Chair, Constitutional & Legislative Affairs Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

17 November 2014

Dear David,

I am writing in relation to the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2015 ("the uprating Regulations"). These Regulations are required to amend the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 and the Council Tax Reduction Schemes (Default Scheme) (Wales) Regulations 2013 to uprate the financial figures in line with cost-of-living increases. In addition to the uprating, these Regulations will make other minor amendments to the 2013 Regulations.

The calculation of the uprating is dependent on financial figures set out in the Chancellor's Autumn Statement, as well as the uprating schedule produced by the Department of Work and Pensions, for interrelated social security benefits, for example, Child Benefit and Savings Credit.

The Autumn Statement is being made on 3 December 2014 and we have been provisionally advised the uprating schedule will not be published by DWP before 4 December. Consequently, I will not be able to lay the amending Regulations until 5 December at the earliest. This means a plenary debate could not be held, in accordance with Standing Orders, until 27 January 2015.

Whilst this does not present issues in relation to the Regulations themselves, it does pose practical challenges for Local Authorities as they must incorporate the uprated financial figures into their Council Tax Reduction Schemes via full Council no later than 31 January, in order for the uprated figures to have effect in the proceeding year.

Bae Caerdydd • Cardiff Bay
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Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

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There are no provisions to allow Local Authorities to make in-year changes to their Schemes. Therefore, there is no mechanism to ensure a Local Authority adopts the uprated financial figures if a Council meeting to adopt its Scheme is held in advance of the Assembly debating the amending Regulations. This poses the risk that not all Local Authorities will use the uprated figures, meaning applicants from different areas may be treated differently and some applicants will be made worse off if cost of living increases are not reflected.

Local Authorities have been made aware of the timescales for making the amending Regulations and have been asked to ensure they have arrangements in place to incorporate the uprated financial figures into their adopted Schemes. However, in order to facilitate their preparations and to ensure all Local Authorities are able to adopt the uprated figures, I would be grateful if the Constitutional and Legislative Affairs Committee would be willing to consider and report on the Regulations ahead of 27 January, to enable an earlier plenary debate to be arranged. You kindly facilitated such preparations for the purposes of uprating the 2014-15 Regulations.

The amending Regulations are a short set of Regulations and my officials would be happy to engage with yours to support the scrutiny process. I would also be happy to share a copy of the draft Regulations with the Committee which I anticipate will be available by 5 December, although these may only contain provisional figures, depending on when the uprating schedule is published by DWP.

Members may also wish to be aware, due to the timing of the Autumn Statements, it is likely we will face a similar situation in future years when uprating the Council Tax Reduction Scheme Regulations.

*Yours sincerely,
Leighton Andrews*

Leighton Andrews AC / AM
Y Gweinidog Gwasanaethau Cyhoeddus
Minister for Public Services

Council Tax Reduction Scheme

Amendments to the 2013 Regulations

The statutory instrument amends the 2013 Regulations to uprate certain figures used within those Regulations to calculate entitlement to a reduction, and subsequently the amount of a reduction. The uprated figures relate to:

- Non-dependant deductions (adjustments made to the maximum amount of reduction a person can receive to take account of adults living in the dwelling who are not dependants of the applicant);
- The applicable amount (the amount against which an applicant's income is compared to determine the amount of reduction they are entitled to); and
- The disregard that applies when calculating a person's income.

These uprated figures have been calculated with assistance from the Department of Work and Pensions following the Chancellor's Autumn Statement and the up-rating of interrelated social security benefits such as Savings Credit. 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 increased living costs and earnings.

Whilst the scale of the impact is dependent on an applicant's particular circumstances, almost all applicants will be worse off in 2015-16 if the up-rating amendments were not made.

Other amendments

- Removing the requirement for Local Authorities to publish a draft scheme and consult interested persons where a Billing Authority revises a scheme in consequence of amendments made to the Prescribed Requirement Regulations. The effect of this amendment is to remove the requirement for Local Authorities to consult in relation to changes made by Welsh Ministers where authorities have no discretion.
- Minor amendments to reflect the introduction of Shared Parental Leave and statutory shared parental pay which replaces additional paternity leave and additional statutory paternity pay from 5 April 2015. Transitional provisions are also provided for those in receipt of paternity pay on 1 April 2015.
- An amendment is included which mirrors changes made to Housing Benefit Regulations to remove automatic entitlement to a Council Tax Reduction for European Economic Area (EEA) job-seekers, who are currently eligible by virtue of being in receipt of income based Jobseeker's Allowance (JSA(IB)). Amendments in the Regulations remove access to CTRS for EEA jobseekers, however this only applies to those who make a new application for CTRS on or after 1 April 2015 or who cease to be entitled to income based JSA for a period after this date, for example if they enter into temporary employment.
- Minor consequential amendments in relation to definitions around Employment and Support Allowance and references to Universal Credit. Income related Employment and Support Allowance no longer consists of separate contributory and income related allowances, but only of a contributory allowance known as the 'employment and support allowance'. Amendments are also made to insert references to Universal Credit into the 2013 Regulations where there are already references to other income-related benefits.

