



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018/19

COUNCIL

16TH JANUARY 2019

LOCAL COUNCIL TAX REDUCTION SCHEME

REPORT OF THE 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 2019.
- 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 2019/20 financial year, which must be adopted by 31st January 2019.

2. RECOMMENDATIONS

2.1. It is recommended that Members:

- a) Note the amendments to the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 ("the Prescribed Requirements Regulations") by the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2019 (the "Amendment Regulations") that came into force on 9th January 2019, following approval by the National Assembly for Wales (NAfW) at Plenary on 8th January 2019;
- b) Note the outcome of the consultation exercise undertaken by the Council on the local discretions applicable to the Council Tax Reduction Scheme for 2019/20;
- c) Adopt the provisions of the Prescribed Requirements Regulations and any amendments made to those regulations made by the Amendment Regulations as the Council's local Council Tax Reduction Scheme for 2019/20 subject to the local discretions that the Council is able to exercise as set out in (d) below;
- d) 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>	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><i>Regulation 34 (4) and paragraph (3) and (4) of Schedule 13.</i></p>	3 Months	<p><u>Pensioners:</u> A period of 6 months will apply,</p> <p><u>Non-Pensioners:</u> A period of 6 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>	£10	<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>

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:

- 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 31st 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 NAFW 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;
 - 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 31st 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. However, this is not able to be undertaken until these figures are released following the Chancellor's Budget (made on 29th October 2018). Consequently, on 27th November 2018 the amending Regulations ~ (The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2019) (the "Amendment Regulations") ~ were laid before the NAFW. Due to the Assembly's procedures which govern the making of the Regulations, the Amendment Regulations were formally considered by Plenary session of NAFW on 8th January 2019 and will come into force the following day.
- 3.6 As detailed above, each year the NAFW 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 2019/20, these changes relate to: -
- Personal allowances in relation to working age, carer and disabled applicants
 - Personal allowances in relation to pensioner applicants
 - 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 the 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 CTR Scheme, 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 Council Tax Reduction Scheme, 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. The annual budget consultation process for 2019/20 financial year ran from 5th November 2018 to 17th December 2018 and was conducted using an on-line budget simulator, to enable residents to interactively consider budget options, alongside road-show events and wider opportunities for key stakeholders to have an input into the budget setting process.
- 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

Discretion Area	No. of Respondents	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?	255	68%	17%	15%
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?	255	58%	28%	14%
Do you think that 3 months is reasonable period to backdate claims for working age and pensioners?	253	69%	17%	14%

- 4.4. In addition, a presentation was made at the School Budget Forum on 20th November 2018, the Older Persons Advisory Group on 28th November 2018, the Disability Forum on the 14th December 2018, and was considered by the Finance & Performance Scrutiny Committee on 11th December 2018. 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 obliged to adopt its CTRS by 31st January 2019 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. 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 3.3 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).
- 5.3. 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 contained within the Prescribed Requirements Regulations should replicate the arrangements for 2018/19 in relation to 'extended payments' and 'war pensions'.

- 5.4. However, as a result of the introduction of Universal Credit Full Service in Rhondda Cynon Taf in November 2018, it is recommended that the Council uses its discretion in relation to 'backdate' awards and extend this from 3 months to 6 months. This will help to minimise any council tax liabilities accrued because of a delay in a person receiving payments of Universal Credit.

Table 2

Discretionary Parts of the Prescribed Requirements Regulations <i>(Part 5 – Other Matters that must be included in an authority's scheme)</i>	Prescribed Requirement Regulations (Minimum Requirement)	Recommended Discretion to be adopted
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. <i>Regulation 32 (3) paragraph (33) of Schedule 1 and Regulation 33 (3), paragraph (35) and (40) of Schedule 6.</i>	4 Weeks	<u>Pensioners:</u> The standard period of 4 weeks specified in paragraph (33) of Schedule 1 will apply, and <u>Non- Pensioners:</u> The standard period of 4 weeks specified in paragraph (35) and (40) of Schedule 6 will apply
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. <i>Regulation 34 (4) and paragraph (3) and (4) of Schedule 13.</i>	3 Months	<u>Pensioners:</u> A period of 6 months will apply, <u>Non-Pensioners:</u> A period of 6 months will apply,
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); <i>Regulation 34 (5), paragraphs 1(a) and 1(b) Schedule 4 and paragraphs 20(a) and 20(b) of Schedule 9</i>	£10	<u>Pensioners:</u> The total value of any pension specified in paragraphs 1 (a) and (b), Schedule 4 will be disregarded. <u>Non-Pensioners:</u> The total value of any pension specified in paragraphs 20 (a) and (b), Schedule 9 will be disregarded.

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 **2018/19** is set out in Table 3 below:

Table 3

Discretionary Element	Est. Cost	No. of Applicants
Extended Payments	£29,500	460
Backdated Payments	£7,000	140
War Disablement & War Widows Pensions	£30,000	75
Total est. cost	£66,500	675

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 CTR Scheme, as the Council's CTR Scheme for 2019/20 (subject to the discretions set out in Table 2 at paragraph 5.4 above).

6.0 FINANCIAL ISSUES AND RISKS

6.1. The current estimated annual value of CTRS to be paid in **2018/19** is £23.414M, to 25,107 applicants.

- 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 takes no account of:
- Any increase in Council Tax levels that may be applied for 2019/20;
 - 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 2019/20 distributed to the local authorities in Wales contained in the Final Local Government Settlement announced on 19th December 2018 is £244M (this has remained unchanged since 2013/14) and the Council's allocation for 2019/20 is £21.681M (representing 8.9% of the all Wales funding). This Council's allocation for 2018/19 was £21.772M.
- 6.5 Any change to actual Council Tax levels in 2019/20 made by the Council, will impact on the cost of providing the local CTRS which equates to approximately £230k for each 1% increase in Council Tax.
- 6.6 The increase of the backdate period from 3 months to 6 months will ensure that individuals affected by delays within the Universal Credit system do not suffer undue hardship as a consequence, through being required to pay council tax that may not have been due previously. Accordingly, cost implications are anticipated to be minimal.

Council Tax Reduction Scheme

Amendments to the 2013 Regulations made by 2019 Regulations

1. The new statutory instrument¹ 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 2019/20. 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:

Change	Impact
<p>Personal allowances in relation to working age, carer and disabled applicants 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 (2018), which is 2.4%.</p>	<p>Costs 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 as a result of the uprating.</p> <p>Benefits Uprating the financial figures in the 2013 CTRS Regulations will ensure that</p> <ul style="list-style-type: none"> ▪ the personal allowance for working age applicants continues to increase in line with the CPI (which is set at 2.4%). For example in 2019-20, the single person allowance would increase from £76.10 to £77.90 (an increase of £1.80). ▪ the personal allowance for pensioners continues to increase in line with the standard minimum guarantee and savings credit. For example in 2019-20, the single person allowance would increase from £176.40 to £181.00 (an increase of £4.60). ▪ 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.
<p>Personal allowances in relation to pensioner applicants 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 following the Chancellor's Autumn Budget 2018 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>Non-dependant deductions 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>	

¹ The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2019

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.

Area/Issue	Effect of 2019 “Amendment” Regulations
<p><u>Disregards for Members of a Couple</u></p> <p>ESA is an income-replacement benefit for people of working age who cannot work because of a health condition or disability. Universal Credit provides a new single system of means-tested support for people of working age who are either in or out of work. UC is gradually replacing income-based ESA as it is rolled out across the UK.</p> <p>In the Summer Budget 2015, it was announced that the Work-Related Activity Component paid to those in the ESA (Work Related Activity Group) (WRAG) would be abolished for new claims from 3 April 2017. The equivalent element in Universal Credit will also be abolished. However, there will be some ESA cases after April, which will continue to have access to the Work-Related Activity Component.</p> <p>The 2013 Regulations make provision for a number of payments to be disregarded for the purposes of calculating income and/or capital.</p>	<p>Intended to clarify the qualifying conditions for a disregard when an applicant is a member of a couple so that the person working must also be the person who meets the qualifying conditions by being the person who is:</p> <p>Entitled to a disability premium, or Is receiving the support component as part of their ESA award, or Is in the work related activity group for ESA</p>
<p><u>Bereavement Support Payments</u></p> <p>A social security benefit called Bereavement Support Payment (BSP) was introduced for surviving spouses and civil partners who are widowed after April 2017. Unlike previous bereavement benefits which can be paid for as long as the applicant satisfies the conditions of entitlement, BSP is only payable for a maximum period of up to 18 months from the date the spouse or civil partner died.</p>	<p>Ensure that various payments of BSP are disregarded in the calculation of income so that:</p> <p>The initial larger payment and any arrears which are included in the first monthly payment are treated as capital, and a 12 month disregard is applied from the date of payment, to allow for sufficient time for monies to be spent by the recipient; Subsequent smaller monthly payments (except for arrears) are treated as income and disregarded for a month</p>

Area/Issue	Effect of 2019 “Amendment” Regulations
<p><u>Non Dependent Deductions</u></p> <p>The 2013 Regulations make provision for deductions to be made when calculating the maximum CTR a person will be entitled to including deductions for non-dependents who live with the applicant. However, further provision is made for certain non-dependents.</p>	<p>Clarify the position in respect of non-pensioners so that no deduction will occur where a non-dependent is not in the work related activity group and is in receipt of certain benefits (income support, state pension credit, income based JSA or income related ESA). This mirrors provision made in the 2018 Regulations concerning pensioners.</p>
<p><u>Changes to income and capital disregards</u></p> <p>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 2019/20</p>
<p><u>The Regulation and Inspection of Social Care (Wales) Act 2016</u></p> <p>Part 1 of the Regulation and Inspection of Social Care (Wales) Act 2016 replaces the regime for the regulation and inspection of social care settings under the Care Standards Act 2000. Part 1 of the 2016 Act was commenced in respect of the following services in April 2018:</p> <ul style="list-style-type: none"> • A care home service • A secure accommodation service • A residential family service and • A domiciliary support service <p>In April 2019, Part 1 will be commenced in respect of a fostering service.</p> <p>In calculating income for the purposes of CTR, the 2013 Regulations make provision for relevant childcare charges to be deducted from earnings including charges where the childcare is provided by foster parents or a kinship carer who has been approved under the 2003 Regulations.</p>	<p>Ensures that foster parents approved under the current scheme set out in the 2003 Regulations or under any regulations made pursuant to sections 87 and 93 of the 2014 Act will be subject to provision made in the 2013 Regulations in respect of the treatment of childcare charges.</p>

Budget Consultation Feedback

Feedback from the School Budget Forum – 20th November 2018

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

- Yes, reasonable approach.

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

- Yes, reasonable approach

Council Tax Reduction Scheme – Backdating claims by 3 months.

- Yes, reasonable approach.

Feedback from the Finance and Performance Scrutiny Committee – 11th December 2018

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

- Yes, this is a good system
- Yes, would support the continuation of this approach

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

- Yes, these elements should continue to be excluded

Council Tax Reduction Scheme – Backdating claims by 3 months.

- Members would support the backdating of claims being increased to 6 months.

Feedback / Views from the Older Persons Advisory Group – 28th November 2018

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

- Yes, reasonable approach.

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

- Yes, reasonable approach

Council Tax Reduction Scheme – Backdating claims by 3 months.

- Yes, reasonable approach.

Feedback / Views from the Disability Forum – 14th December 2018

All group members agreed that extended payments on returning to work, war widows/ war disablement allowance and backdating claims were acceptable and a benefit to the individual. Comments included:

“Yes- people get paid monthly so won’t have the money at the start.”

“It’s good for the people, we need to support them.”