

Committee:	Date:
Finance Committee	13 December 2016
Subject: Council Tax Reduction Scheme	Public
Report of: The Chamberlain	For Decision
Report author: Carla-Maria Heath, Chamberlain's Department	

Summary

Until 2013 there was a national Council Tax Benefit scheme to assist people on low incomes with their council tax bills. This was replaced by a locally determined Council Tax Reduction Scheme (CTRS) from the financial year 2013/14. To protect residents on low incomes, the City Corporation adopted the Government's default scheme for the financial years 2013/14 to 2015/16 and kept the CTRS in line with Government increases of benefits generally.

Following changes to national benefits in the July 2015 budget, it was not possible to maintain the same scheme for the financial year 2016/17. In January 2016 following a consultation exercise the City Corporation decided to make adjustments to the scheme to protect existing claimants from possibly being worse off, although it would also limit backdating in future for new claimants and it would keep the administration of CTRS in line with Housing Benefit.

There is no proposal to alter the scheme for 2017/18 other than to apply any annual uprating of applicable amounts in line with housing benefit applicable amounts.

The detailed report gives greater technical information about the issue and recommends that the current CTRS is continued for 2017/18.

Recommendation

Members are asked to endorse the continuation of the current Council Tax Reduction Scheme, following national benefit upratings (increases/decreases) for onward approval by the Court of Common Council.

Main Report

Background

1. In 2013 the Council Tax Reduction Scheme (also known as Council Tax Support) replaced the Council Tax Benefit scheme that had existed to assist council tax payers with low incomes to pay their council tax. It is in effect a rebate from full council tax and the reduction can be any amount up to 100%. Council Tax Benefit was very closely related to Housing Benefit, using similar rules about calculating income. The change was brought about partly as a

result of the Government's aim to replace Housing Benefit with Universal Credit and partly in line with the localism agenda, giving councils more discretion over the rebate scheme they offer for council tax. Since 2013 pensioners have been fully protected and their entitlement to Council Tax Reductions continues to be assessed in accordance with existing national benefit regulations. Any changes, therefore, only apply to working age claimants.

2. Prior to April 2013, the amount of Council Tax Benefit granted was wholly funded by central Government. From 2013/14 a grant was provided to local authorities, intended to be 90% of the amount of Council Tax Benefit. In the City Corporation's case, the majority of this grant was actually not paid, following a Government formula. In subsequent years no grant was paid and the council tax reduction awarded notionally formed part of the overall council tax calculation.
3. For 2013/14 it was possible to use the Government's default scheme, i.e. having a CTRS which mirrored the old Council Tax Benefit scheme and was linked to the Housing Benefit rules. Some Councils chose to adopt the default scheme and made up the 10% shortfall themselves. Those that did not use the default scheme had to consult with all tax payers and other stakeholders about their proposed schemes.
4. The City Corporation adopted the default scheme in 2013 whereby no-one was worse off than under the old arrangements and picked up the shortfall in funding. For the two subsequent years, although the default scheme technically no longer existed, the City continued with a CTRS which mirrored the Housing Benefit Scheme. Hence no consultations were undertaken but the CTRS was confirmed as part of the council tax setting procedure each year.
5. However, the July 2015 budget made changes to the "uprating" (increases/decreases) rules for Housing Benefit, by which some people (other than pensioners) could be worse off. The budget changed the increases to the amounts (applicable amounts) set by Government to reflect the basic living needs of the claimant and family that are used to assess entitlement to CTRS discount. The Government announced that the applicable amounts would be frozen for four years for working age claimants. However, some benefits will continue to increase such as disability pensions and some claimants could be worse off. To prevent this happening, the local CTRS would have to change and it would therefore no longer be possible to continue with what was in effect the default scheme beyond the financial year 2015/16. There were also changes to the rules around backdating of benefit; applicable amounts for families; and non-dependant deductions (a non-dependant is someone who normally resides with the claimant on a non commercial basis, typically these are adult sons and daughters in the household).
6. In January 2016 following a consultation exercise the City Corporation decided to make adjustments to the CTRS to protect existing claimants from possibly being worse off, although it would also limit backdating in future for

new claimants and it would keep the administration of CTRS in line with Housing Benefit.

Current Position

7. In January 2016 the City decided to amend the CTRS scheme for the current financial year 2016/17 as follows:

Introduce revised applicable amounts, personal allowances, backdating and non-dependant deductions in line with Housing Benefit. The effects of this would be that:

- i. broadly speaking the claimant would receive the same amount of CTRS discount as they have done until now and as under the old Housing Benefit scheme, provided, of course, that their personal circumstances do not change;
- ii. backdating the start date of the CTRS claim would be aligned with new Housing Benefit rules; this was previously 6 months but from April 2016 will be reduced to 4 weeks. This will only affect new claims which have been made late;
- iii. where the claimant has non-dependants (generally adult sons or daughters) living in the household, the amount that the non-dependants are expected to contribute will increase in line with the prescribed scheme for pensioners to ensure that the contributions are the same whether or not the non-dependant is a pensioner or non pensioner.

Proposals

8. The City must set a CTRS by resolution of the Court of Common Council in January 2017 to be effective for the following year.
9. There is no proposal to alter the scheme for 2017/18 other than to apply any annual uprating of applicable amounts in line with housing benefit applicable amounts
10. It is proposed therefore that the annual uprating (increases/decreases) of applicable amounts, premiums, disregarded income, or capital in relation to the Local Council Tax Reduction Scheme 2017-2018 as it applies to working age claimants, be in accordance with the uprating to be applied under the Housing Benefit Regulations which take effect from 1 April each year and the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No. 2) Regulations 2014; and the annual uprating of non-dependent income and deductions, and income levels relating to Alternative Council Tax Reduction, or any other uprating as it applies to working age claimants, shall be adjusted in line with inflation levels by reference to relevant annual uprating in the Housing Benefit Scheme or The Prescribed Council Tax Reduction Scheme for Pensioners.

Financial Implications

11. The current CTRS caseload consists of 292 households, around 5% of all council tax dwellings of whom 133 are pensioners and 159 are working age.
12. The exact amount of CTRS discount payable for 2017/18 will depend on the number of claimants at that time and their individual personal circumstances but based on current caseload the amount of CTRS discount is estimated to be £200,000. Historically, the cost of CTRS had been around £250,000 but has declined in recent years.
13. The estimated amount of CTRS discount will be taken into account as part of the council tax setting procedure in February 2017.

Conclusion

14. It is concluded that there should be no changes to the City's Council Tax Reduction Scheme for the financial year 2017/18 other than the annual uprating (increases/decreases) of applicable amounts, premiums, disregarded income, or capital in relation to the Local Council Tax Reduction Scheme 2017-2018 as it applies to working age claimants, be in accordance with the uprating to be applied under the Housing Benefit Regulations which take effect from 1 April each year and the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No. 2) Regulations 2014; and the annual uprating of non-dependent income and deductions, and income levels relating to Alternative Council Tax Reduction, or any other uprating as it applies to working age claimants, shall be adjusted in line with inflation levels by reference to relevant annual uprating in the Housing Benefit Scheme or The Prescribed Council Tax Reduction Scheme for Pensioners and that the Court of Common Council should be requested to set the CTRS for 2017/18 in January 2017.

Appendices

None

Background Papers:

None

Carla-Maria Heath

Head of Revenues, Chamberlain's Department

T: 020 7332 1387

E: carla-maria.heath@cityoflondon.gov.uk