

Report – Finance Committee

Council Tax Reduction Scheme

To be presented on Thursday, 12th January 2017

*To the Right Honourable The Lord Mayor, Aldermen and Commons of
the City of London in Common Council assembled.*

SUMMARY

In 2013/14, the Government introduced a locally-determined Council Tax Reduction Scheme (CTRS). This replaced the national Council Tax Benefit scheme and assisted people on low incomes with their council tax bills. To protect residents on low incomes, the City of London Corporation adopted the Government's default scheme for the financial years 2013/14 to 2015/16, which kept the CTRS in line with the Government's general increase in benefits.

Changes were made to national benefits in the July 2015 budget and, as a result, it was not possible to maintain the same scheme for the 2016/17 financial year. A consultation exercise was undertaken and the City Corporation decided to make adjustments to the scheme to protect existing claimants from possibly being worse off. These adjustments kept the administration of the CTRS in line with Housing Benefit. This was approved by the Court of Common Council in January 2016.

There are no proposals to make any specific amendments to the CTRS for this or future years, beyond keeping the CTRS in line with Housing Benefit. It is, therefore, proposed that the Court agrees that the CTRS for 2017/18 is the same as the CTRS for 2016/17, subject to the annual uprating of amounts in line with Housing Benefit applicable amounts. It is also proposed that the CTRS for future years is the same as the previous year, subject to the application of those upratings. Full details of what this entails are set out in paragraph 10 of the main report.

If there are any proposals for any other amendments to the CTRS in any future years, these proposals would have to be submitted to the Court for approval.

RECOMMENDATION

The Court is **recommended** to approve the continuation of the current Council Tax Reduction Scheme, with the annual uprating of application amounts in line with Housing Benefit application amounts, as set out in paragraph 10 of the report.

MAIN REPORT

Background

1. In 2013 the Council Tax Reduction Scheme (also known as Council Tax Support) replaced the Council Tax Benefit Scheme, which 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. The reduction could 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, to give Councils more discretion over the council tax rebate scheme which they offered. 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 to the CTRS, 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, due to the Government's formula. In subsequent years, no grant was paid and the Council Tax reduction notionally formed part of the overall Council Tax calculation.
3. For 2013/14, it was possible to use the Government's default scheme to have a CTRS which mirrored the old Council Tax Benefit scheme and was linked to the Housing Benefit rules. The City Corporation, along with many other Councils, chose to adopt the default scheme and make up the shortfall in funding. This ensured that no tax-payer was worse off than under the old arrangements. Those Councils which did not use the default scheme had to consult with all tax-payers and other stakeholders about their proposed schemes.
4. For the 2014/15 and 2015/16, although the default scheme technically no longer existed, the City Corporation continued with a CTRS which mirrored the Housing Benefit Scheme. No consultations were, therefore, undertaken. The CTRS was confirmed as part of the council tax setting procedure each year.
5. The July 2015 Budget, however, made changes to the "uprating" (increases or decreases) rules for Housing Benefit, which meant that some people (other than pensioners) could be worse off. The July 2015 Budget changed the increases to the applicable amounts set by Government to reflect the basic living needs of the claimant and family that were used to assess entitlement to CTRS discount. The Government also announced that the applicable amounts would be frozen for four years for working age claimants.
6. Some benefits, however, continued to increase (such as disability pensions) and some claimants could be worse off if the existing CTRS remained in place. There were also changes to the rules around backdating of benefits, 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 adult sons and daughters in the household). It was, therefore, no longer possible to continue with what was, in effect, the default scheme beyond the financial year 2015/16 without causing detriment to existing users of the CTRS.

Current Position

7. In January 2016, following a consultation exercise, the Court of Common Council agreed adjustments to the CTRS to protect existing claimants from possibly being worse off (although this did also limit backdating in future for new

claimants) and to keep the administration of the CTRS in line with Housing Benefit. The amended CTRS introduced revised applicable amounts, personal allowances, backdating and non-dependant deductions in line with Housing Benefit. The effects of this were that:

- i. broadly speaking, claimants receive the same amount of CTRS discount as they had done, previously, as under the old Housing Benefit scheme, provided that their personal circumstances have not changed;
- ii. backdating the start date of a CTRS claim was aligned with new Housing Benefit rules. This had, previously, been six months, but, from April 2016, was reduced to four weeks. This only affects new claims which are made late;
- iii. where the claimant has non-dependants living in the household, the amount that the non-dependants are expected to contribute increased in line with the prescribed scheme for pensioners. This ensured that the contributions are the same regardless of whether the non-dependant is a pensioner or non-pensioner.

Proposals

8. The CTRS must be set by the Court of Common Council. 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. There is also, at present, no proposal to alter the scheme beyond 2017/18.
9. It is proposed, therefore, that Court agrees that the CTRS for 2017/18 is the same as the CTRS for 2016/17, subject to the annual uprating of application amounts in line with Housing Benefit application amounts. It is also proposed that the CTRS for future years is the same as the previous year, subject to the application of those upratings.
10. In detail, this means that:
 - the annual uprating of applicable amounts, premiums, disregarded income, or capital in relation to the Local Council Tax Reduction Scheme as it applies to working age claimants, will 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-dependant 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.
11. If there are any proposals for any other amendments to the CTRS in any future years, these proposals would have to be submitted to the Court for approval.

Financial Implications

12. 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.

13. The exact amount of CTRS discount payable for 2017/18 will depend on the number of claimants and their individual personal circumstances. Both of these factors vary each year. Based on the current caseload, the amount of CTRS discount for 2017/18 is estimated to be £200,000. Historically, the cost of CTRS was around £250,000, but this has declined in recent years.
14. The estimated amount of CTRS discount will be taken into account as part of the council tax setting procedure in February 2017.

Conclusion

15. The 2016/17 CTRS continues to be appropriate, subject to the application of annual upratings. The Finance Committee, therefore, proposes that there should be no changes to the City's Council Tax Reduction Scheme for the financial year 2017/18, or for future years, beyond the application of these upratings. This is set out in detail at paragraph 10.

All of which we submit to the judgement of this Honourable Court.

DATED this 13th day of December 2016.

SIGNED on behalf of the Committee.

Jeremy Mayhew
Chairman, Finance Committee