

Record of Task and Finish Group - Council Tax Reduction Scheme

Meeting held 24 July 2018

Councillors in attendance: Councillor McCoy, Councillor Melican, Councillor Fivey (Liberal Democrats) and Councillor Hicks (Conservative)

Officers in attendance: Julie Turner, Mark Halls and Jason Satchell

1. Background

The Task and Finish Group was convened to discuss and agree the basis for consultation on the following:

1. To consider if the Council Tax Reduction Scheme (and the Council) provided adequate support for Care Leavers
2. To consider amending the Income Bands within the Council Tax Reduction Scheme (CTRS) to allow for inflation and to make a provision for annual inflation to be applied to the scheme.

2. DiscussionCare Leavers

- 2.1 Members considered how the Council currently provided support for former care leavers within the Scheme, as follows:
 - there is a 100% discount against council tax liability if the care leaver is on income related benefits, and;
 - a £50 earnings disregard (per week) is applied where they are in paid employment.
- 2.2 Members noted that this issue had been consulted on when the Council proposed changing its Scheme in 2016/17 (Housing, Economy & Business Committee report, dated 6 December 2016). The above (see 2.1) CTRS rules received a positive 58% net agreement in the consultation responses.
- 2.3 Members considered the impact of awarding a total exemption to all care leavers up to the age of 25. The discussion centred around the level of support currently offered (2.1 above) and whether there was any need to change.
- 2.4 Members noted that the existing provisions provided 100% council tax reduction for non-working former care leavers and a more generous earnings disregard of £50 for those in paid employment. The effect of these 'protections' acts to remove or reduce the amount of council tax the care leaver has to pay.
- 2.5 Members expressed concern about creating a 'cliff-edge' if all care leavers were fully exempted from council tax until the age of 25. The discussion focusing on their paying nothing in council tax, regardless of their individual circumstance, and then at the age of 25 having to pay their full liable council tax. This would have a greater impact (at the time) if the care leaver was working.
- 2.6 Members discussion also focussed on the additional support offered by the Council from its Welfare Reform Outreach Team who aim to ensure care leavers are fully supported where they

have a rent and / or council tax liability.

- 2.7 Therefore, members considered the current scheme of support for care leavers was adequate feeling it took a balanced approach to providing 100% discount where needed and a more generous earned income disregard for those working. It was felt this would help the care leaver in managing a budget in future years and avoids the 'cliff-edge' effect.
- 2.8 It was therefore decided not to propose any changes to the current CTRS scheme in respect of care leavers.

Inflation increase

- 2.9 The Income Band scheme is presented in its simplest form to round figures e.g band b is presented as £0 to 150 and band c is presented as £151 to £200 (Appendix A, table 1) . However, the Income Bands are actually £0 to £150.99 and then £151 to £200.99 etc. Therefore, applying a 3% inflation increase to each band creates anomalies with pence and rounding up / down issues. It also adds variation in the incremental rise between Income Bands of between £51 and £52. Members felt this removed one of the simplest points in the current scheme; the £50 incremental rise between each band.
- 2.10 Members considered a balanced approach was necessary to recognise the need to provide for an inflation increase and the ongoing affordability of the CTRS for the Council. This was in the context of the continuing pressure on the Council's budget.
- 2.11 Members considered the following options on how best to apply an inflation increase to the existing income bands. Members felt it important to maintain the simplicity of the scheme and in particular the £50 incremental rises between bands:

- A. Members considered applying a 3% inflation increase to the income band in the middle (of the range of Income Bands - £251 to £300) that had the largest number of claimants. It was also agreed to round up to the nearest pound. Once this had been applied the £50 increments were applied to all other income bands. This method helped to 'smooth' the impact of the inflation increase and to ensure all claimants received an inflation increase. It also helped to maintain the affordability of the scheme by providing an average inflation increase of 3.2%. Claimants with the lowest incomes would receive a 4% inflation increase and those with higher incomes a 2.7% inflation increase.

Members agreed this was their preferred option, and subject to the outcome of a public consultation, the revised income bands, would apply with effect from 1 April 2019.

Other Options considered

- B. To apply 3% inflation increase (rounded up to nearest pound) to the first income band and then apply the £50 increment to each income band thereafter. This provided claimants with the lowest incomes a 3.33% inflation increase and those with higher incomes a 2.2% inflation increase. This method provided for an average inflation increase of 2.7%. By comparing this method to the preferred option (A. above), it demonstrated that all claimants were worse off.

APPENDIX B

- C. To apply 3% inflation increase (rounded up to nearest pound) to each Income Band. While this provided all claimants with a 3% or more inflation increase it changed the incremental rises between each band with a variance between £49 and £51 for some income bands. It was felt this was further complicated by the top of each band being calculated to 99p, which allows for the bottom of each Income Band to commence in round figures. It was felt that this removed some of the simplicity of the design of the income band scheme and that the £50 incremental rise should be maintained. This methodology provided for an average inflation increase of 3.10%. Claimants with the lowest incomes would receive a 3.33% inflation increase and those with higher incomes a 3.11% inflation increase.
- D. The final option considered was to apply a 3% inflation increase to the top income band (rounded up to nearest pound) and keep the £50 incremental bands. This method provided an increase to the top income band of 3.02%, however the bottom income band would receive a 5.65% inflation increase. Members felt this was too generous given the ongoing financial constraints the Council has. Overall this methodology provided for an average inflation increase of 4.06%.
- 2.12 Members also considered whether there was a need to provide a mechanism for adjusting the scheme on an annual basis to take into account inflation increases. Members felt this was a necessary revision to the scheme and, to avoid the statutory requirement to consult on annual increases, that provision should be made to revise the income bands by reference to defined methodology. **It was agreed this should be included in the public consultation.**
- 2.13 Members were of the view that the Council should adopt the methodology used by the Government in setting its annual inflation increases for state retirement pensions and other benefits, which is linked to the preceding September's annual prices increase. **It was agreed this should be included in the public consultation.**
- 2.14 Members further considered whether an upper limit to an annual inflation increase should be applied and it was agreed this should be set at 5%. This would provide the Council with some certainty in the ongoing cost of the scheme should the economy suffer a sharp increase in inflation. Where inflation was lower than 5% that relevant lower amount would be applied using the same methodology applied above (Appendix A, Table 2 (the preferred option)), and rounded to the nearest pound. Should inflation rise above 5%, then the increase applied in the scheme in the relevant year would be capped at 5%. The consideration of any further increase, would be referred back to the Committee for decision, as part of the annual review of the scheme. However, it should be noted the Council would not be able to retrospectively apply an additional or enhanced inflation increase. **It was agreed this should be included in the public consultation.**
- 2.15 It was further agreed, subject to the outcome of a public consultation, that the scheme would provide for an annual inflation increase with effect from 1 April 2020, subject to the 5% cap set out in 2.12 above. **It was agreed this should be included in the public consultation.**
- 3. Consultation**
- 3.1 The Task and Finish Group agreed the Council would conduct a public consultation for a period of 8 weeks. Discussion took place on how best to obtain a balanced view from members of the public. **It was agreed the Council would invite responses from both council tax payers and residents in receipt of a council tax reduction.**

