

**Explanatory Memorandum to the Council Tax Reduction Schemes
(Prescribed Requirements and Default Scheme) (Amendment) (Wales)
Regulations 2024**

This Explanatory Memorandum has been prepared by Local Government Finance Reform Division and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Amendment) (Wales) Regulations 2024. I am satisfied the benefits justify the likely costs.

Rebecca Evans
Minister for Finance and Local Government
5 December 2023

PART 1

1 Description

- 1.1 Council Tax Reduction Schemes (CTRS) are the mechanism by which local authorities in Wales provide support to low-income households in meeting their council tax liability.
- 1.2 This statutory instrument makes amendments to the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 and the Council Tax Reduction Schemes (Default Scheme) (Wales) Regulations 2013 (referred to collectively in this Explanatory Memorandum as ‘the 2013 CTRS Regulations’). It uprates certain figures used to calculate an applicant’s entitlement to a reduction under a Council Tax Reduction Scheme, and the subsequent level of reduction, and makes certain technical and consequential amendments.

2 Matters of special interest to the Legislation, Justice and Constitution Committee

- 2.1 None.

3 Legislative background

- 3.1 Section 10 of, and Schedule 4 to, the Local Government Finance Act 2012 inserted a new section 13A and new Schedule 1B into the Local Government Finance Act 1992 (the 1992 Act). These provisions enabled the Welsh Ministers to introduce Council Tax Reduction Schemes (CTRS) in Wales via regulations.
- 3.2 This statutory instrument is made pursuant to powers in section 13A and Schedule 1B to the 1992 Act. The instrument is subject to approval of the Senedd (the draft affirmative procedure) by virtue of section 13A(4) and (8) of the 1992 Act.

4 Purpose and intended effect of the legislation

- 4.1 This statutory instrument amends the 2013 CTRS Regulations to uprate certain figures in those Regulations used to calculate entitlement to a council tax reduction, and the amount of any reduction awarded to applicants in the 2024-25 financial year, to reflect increases in the cost of living. It also makes minor technical, presentational and consequential changes to the 2013 CTRS Regulations.

Background

- 4.2 The Welfare Reform Act 2012 contained provisions to abolish Council Tax Benefit from 31 March 2013. From 1 April 2013, responsibility for providing support for council tax was transferred to local authorities in England. Fixed funding, reduced by 10% compared to the 2012-13 costs, was passed to the

Welsh Government and to the Scottish Government to allow the Devolved Governments to develop replacement schemes.

- 4.3 Following the UK Government's decision, the Welsh Government sought provisions in the Local Government Finance Act 2012 which amended the 1992 Act, to provide the Welsh Ministers with executive powers to introduce Council Tax Reduction Schemes in Wales via regulations.
- 4.4 The 2013 CTRS Regulations were approved by the National Assembly for Wales on 26 November 2013.
- 4.5 The Welsh Government provided £244m in the Local Government Settlement for CTRS for 2013-14. This was partly funded through the fixed budget of £222m which was transferred from the UK Government. The Welsh Government provided an additional £22m to enable local authorities to continue to provide all eligible applicants with their full entitlement to support. The Welsh Government has continued to provide £244m within the local government settlement each year since.

2013 CTRS Regulations

- 4.6 Aligned with the provisions in the 1992 Act, the 2013 CTRS Regulations govern the operation of CTRS in Wales. These regulations were closely based on the previous Council Tax Benefit rules to prevent low-income households facing sharp changes in the level of support they received. All eligible applicants were automatically and seamlessly transferred from Council Tax Benefit onto Council Tax Reduction Schemes from 1 April 2013. If an applicant receives Income Support, Income-Based Jobseeker's Allowance (JSA), Income-Based Employment and Support Allowance (ESA), Pension Credit, or Pension Credit Guarantee, they are entitled to the maximum, full, reduction in their council tax liability. Approximately 44% of CTRS applicants in Wales receive these passporting benefits.
- 4.7 If an applicant does not receive any of the passporting benefits, the weekly amount of money which they are judged to need to live on is calculated. This is known as the 'applicable amount' and consists of two components.
 - The first is the personal allowance – the basic amount a person needs to live, which varies according to the household's circumstances. For example, the allowance for a couple with children is higher than that for a single person without children. These allowances are also set at higher rates for those who have reached State Pension Age.
 - The second component is the premium – additional amounts added to reflect any personal circumstances which increase the cost of living, such as a disability or a carer's responsibilities. Once the applicable amount has been determined, the applicant's level of income is calculated.

- 4.8 For CTRS, Universal Credit (UC) recipients are treated in a similar way to non-passported applicants. However, instead of an 'applicable amount' being calculated, the 'maximum amount' (calculated within their UC application) is used instead.
- 4.9 If the applicable amount or maximum amount is higher than an applicant's calculated income, they are entitled to the maximum reduction in their council tax liability. If income exceeds the applicable amount, the weekly entitlement is reduced by 20p for each £1 of excess weekly income, until entitlement is withdrawn – this is known as the taper.
- 4.10 Adjustments can be 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 and who are therefore assumed to make a financial contribution to the household (non-dependant deductions).
- 4.11 Adjustments can also be made to take into account of savings. If an applicant has capital of £6,000 (or £10,000 for pension age applicants) or less, this will be ignored when working out whether they are entitled to a reduction.
- 4.12 If a working-age applicant has capital of between £6,000 and £16,000, the local authority will treat it as income. This is known as tariff income. The local authority will assume an applicant has an income of £1 a week for each £250 of capital between £6,000 and £16,000. This will be added to other income to work out whether an applicant is entitled to a reduction and how much they are entitled to.
- 4.13 If a pension-age applicant has capital of between £10,000 and £16,000, the local authority will treat it as income. The local authority will assume an applicant has an income of £1 a week for each £500 of capital between £10,000 and £16,000. This will be added to other income to work out whether an applicant is entitled to a reduction and how much they are entitled to.

Uprating figures for 2024-25

- 4.14 This statutory instrument amends the 2013 CTRS Regulations to uprate financial figures used to calculate entitlement to a reduction in line with Welsh Government policy.
- 4.15 The statutory instrument seeks to uprate a number of other figures included in the 2013 CTRS Regulations. These include the following.
- Personal allowances in relation to working age, and carer and disabled premiums
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 figure for September from the previous year (2023), which is 6.7%.

- Personal allowances in relation to pensioners
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 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.
- Non-dependant deductions
The financial figures for the income bands and deductions made in relation to non-dependants have been uprated. If amendments are not made, the deductions from CTRS awards would not be appropriate as the income thresholds would no longer reflect average earnings and the deduction would no longer reflect the overall cost of council tax.

Additional Amendments

4.16 In addition to uprating the financial figures, this statutory instrument makes a number of other amendments to the 2013 CTRS Regulations. These amendments make provision for the treatment of the following types of payments and ensure the 2013 Regulations remain up-to-date and fit for purpose.

Widowed Parents Allowance and Bereavement Support back payments

4.17 The proposed amendment to the 2013 CTRS Regulations will ensure no applicant living in Wales is negatively impacted because they have received a Widowed Parents Allowance (WPA) back payment or a retrospective Bereavement Support Payment (BSP).

4.18 The amendment makes provision to disregard any payment received from the calculation of an applicant's capital under the scheme.

4.19 The amendment proposes that any backdated BSP award would be aligned with the existing provision for BSP awards and disregarded for a period of 12 months. Any WPA back payments will continue to be disregarded from a person's capital.

Post Office Compensation payments

4.20 The UK Government has announced funding to enable the Post Office to deliver compensation schemes and arrangements for various cohorts of postmasters. These include the Horizon Shortfall Scheme, compensation arrangements for postmasters whose convictions were overturned and a compensation scheme for postmasters who did not receive remuneration during a suspension period.

4.21 An amendment will ensure no applicant living in Wales is negatively impacted because they receive any compensation or support payment made in connection with the failings of the Post Office Horizon system.

4.22 The amendment makes provision to disregard any compensation or support payment received from the calculation of an applicant's capital and a non-dependant's deduction under the scheme.

The Vaccine Damage Payment scheme

4.23 The Vaccine Damage Payment Scheme (VDPS) incorporated COVID-19 from December 2020, and the scheme is now processing these claims. The majority of VDPS awards are already disregarded relating to compensation for personal injury. However, this does not currently apply to the partners of vaccinated individuals who receive a payment derived from a VDPS award.

4.24 The proposed amendment to the 2013 CTRS Regulations will ensure that no applicant living in Wales is negatively impacted because they receive a payment under the Vaccine Damage Payments Act 1979 in respect of a partner.

4.25 The amendment makes provision to disregard a payment received from the calculation of an applicant's capital under the scheme.

The Infected Blood Inquiry

4.26 The Infected Blood Inquiry published its first interim report in July 2022: this made a number of recommendations for a framework for compensation and redress for the victims of infected blood. The report recommended that interim compensation payments of £100,000 be made to infected persons and bereaved partners who registered with a UK infected blood support scheme.

4.27 Where an infected person or their bereaved partner died before the interim payment could be made, the Government agreed that the interim payment of £100,000 would be made to that person's estate.

4.28 An amendment to the 2013 CTRS Regulations will ensure that no applicant living in Wales is negatively impacted because they receive an interim infected blood compensation payment from their deceased parent's estate.

4.29 The amendment makes provision to disregard a payment received from the calculation of an applicant's capital under the scheme.

Minor technical and consequential amendments

4.30 Some further minor technical amendments are proposed to the 2013 CTRS Regulations to align provisions in Wales with England and housing benefit provisions. These ensure an applicant who is a pensioner and responsible for a young person who is in receipt of an Armed Forces Independence Payment is taken into account when calculating eligibility. The amendment also ensures that the list of matters which must be disregarded in relation to non-dependant deductions in relation to working-age people also applies to pensioners.

4.31 A consequential amendment will also reflect changes to the legislative landscape as a result of The Tertiary Education and Research (Wales) Act 2022 which becomes operational from April 2024.

PART 2: REGULATORY IMPACT ASSESSMENT (RIA)

Options

Option 1 – Do nothing

- 1 If the financial figures used to assess household allowances in the council tax reduction means-test remained static, the criteria would be slightly less generous for non-passported applicants and would lead to small decreases in support in real terms.
- 2 The financial figures used to assess the eligibility of households with non-dependants would be out-of-date. The income thresholds would no longer reflect average earnings and the adjustment made to the final council tax reduction would no longer reflect overall cost of council tax.
- 3 If consequential amendments are not made to the 2013 CTRS Regulations, this would mean that they would not take account of changes to related welfare benefits and other legislation. This could disadvantage some applicants by reducing or stopping their entitlement to support. It could also create confusion for applicants and increase the administrative burden for local authorities and advice providers.
- 4 If the amendments to disregard the range of compensation schemes set out are not made, an applicant in Wales could be negatively impacted by a reduction or loss of their entitlement to support.

Option 2 – Make amending Regulations

- 5 This option would mean that amendments would be made to uprate the financial figures in the 2013 CTRS Regulations in line with Welsh Government policy, cost-of-living increases and changes to qualifying benefits.
- 6 The financial figures in relation to working age, disability or carer rates will continue to increase with the cost of living: this is 6.7%, as measured by CPI. The personal allowances for all pensioners will be uprated to reflect the higher personal allowance provided within the Housing Benefit system. The increase would be aligned to the UK Government's Standard Minimum Guarantee (in Pension Credit) plus the maximum amount of Savings Credit (in Pension Credit).
- 7 The financial figures used to calculate the adjustment for non-dependant deductions would be uprated. The income thresholds in relation to non-dependants would be uprated to reflect average earnings and the non-dependant deduction from CTRS would reflect the average increase in council tax.
- 8 The necessary technical and consequential amendments would also be made.

- 9 The amendments would disregard the range of compensation schemes from the calculation of an applicant's entitlement and ensure any support they are entitled to would be maintained.

Costs and Benefits

Costs

Option 1 – Do nothing

- 10 If the financial figures for working age and pensioner allowances do not increase with the cost of living (as measured by CPI), CTRS recipients would be slightly worse off in real terms.
- 11 The financial figures used to assess the eligibility of households with non-dependants would also be out-of-date. The calculation would no longer make a fair assessment of the income of non-dependants or the overall cost of council tax. There is a risk that this aspect of the scheme would be viewed as unfair or inequitable.
- 12 If the technical and consequential amendments to the 2013 CTRS Regulations are not made, they would no longer align with Housing Benefit provisions and other related benefits. It would lead to references being out of sync with the overall benefits system and could disadvantage certain applicants by reducing their entitlement to support. This could potentially lead to additional administrative burden on local authorities and advice providers. It may also lead to confusion for some applicants who, as a result, could be treated significantly differently under benefit schemes.

Benefits

- 13 Not uprating pensioner and working age allowance figures would help to limit any increases in total reductions under CTRS, meaning local authorities could raise more revenue for local services. However, not uprating figures in relation to non-dependant deductions, would result in council tax reductions for relevant households being higher than they would otherwise be.

Option 2 – Make amending Regulations

Costs

- 14 Uprating the financial figures in respect of pensioner and working age allowances would slightly increase total reductions under CTRS. 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 substantially as a result of the uprating.
- 15 The number of people in Wales receiving payments under the VDPS and the Post Office or infected blood compensation schemes is expected to be small,

with little impact on the CTRS. The number of people receiving a Widowed Parents Allowance (WPA) back payment or a retrospective Bereavement Support Payment (BSP) is uncertain but is expected to be larger. However, the number of people eligible for CTRS will not change, rather, the disregards protect those people who are already entitled or in receipt of a reduction.

Benefits

- 16 Uprating the financial figures in the 2013 CTRS Regulations will ensure that the personal allowance for working age applicants continues to increase in line with the CPI (6.7%).
- 17 Uprating the financial figures in respect of the personal allowance for pensioners means the allowance continues to increase in line with the Standard Minimum Guarantee plus the Savings Credit. Maintaining the higher personal allowance for CTRS will help low-income households who reach state pension age to meet their council tax liability: they might otherwise receive less housing benefit compared to a pensioner who has already reached pension age.
- 18 If the financial figures in relation to 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.
- 19 As part of these Regulations, consequential and technical amendments are made that are associated with wider welfare changes made by the UK Government. This would ensure CTRS reflects changes made to interrelated social security benefits which often determine entitlement to a reduction. It would also avoid additional administrative burden for local authorities or advice providers arising from managing different regimes.

Sectors

- 20 Local government and the voluntary sector were consulted during the development of proposals to introduce CTRS in Wales. Local authorities have been informed of the proposed amendments for 2024-25.
- 21 This legislation will not affect the business sector.

Duties

- 22 In drafting these Regulations, consideration has been given to the duty on Welsh Ministers to promote equality and eliminate discrimination.
- 23 An Equality Impact Assessment was completed for the introduction of the 2013 CTRS Regulations.
- 24 This statutory instrument is provided bilingually. CTRS is implemented and operated by local authorities who are under general duties to comply with Welsh language and sustainable development duties.
- 25 Further consideration has been given as to whether CTRS could be used to improve the opportunities of persons to use the Welsh language treating the Welsh language no less favourably than the English language. As the sole

purpose of CTRS is to provide support to low-income households in meeting their council tax liability, it is considered there are no such opportunities.

- 26 Maintaining full entitlements to CTRS will continue to help low-income households in meeting their council tax liability and, as such, will contribute to the Welsh Government's commitment to make council tax fairer.

Competition assessment

- 27 These Regulations have been scored against the competition filter test which indicated that there will be no detrimental effect on competition.

Consultation

- 28 There is no requirement to consult, and no formal consultation has been undertaken in respect of this statutory instrument. The 2013 CTRS Regulations were consulted upon, and details are provided in the Regulatory Impact Assessments accompanying those Regulations. Dialogue is maintained between Welsh Government officials and local authorities to continue to ensure that all the changes made benefit applicants. The Regulations cannot be finalised until DWP has provided figures in relation to uprating. This typically occurs in the week before laying which means that there is no opportunity to consult. The Regulations must be made prior to 31 January preceding the financial year as this is the date by which an authority must make its scheme.

Post implementation review

- 29 Amendments are required on an annual basis to uprate the financial figures used to calculate entitlements to reductions. This provides an opportunity to review the legislation.