

APPENDIX A

Council Tax Reduction Scheme 2025-26 – Detailed Report

1. Introduction

- 1.1 With effect from April 2013, the Council Tax Benefit system was replaced with a localised Council Tax Reduction scheme. In Wales, the replacement scheme was devolved to Welsh Government but continues to be administered by local authorities.
- 1.2 The former Council Tax Benefit system was fully funded by the Westminster Government, however, less funding was given to Welsh Government with regard to the replacement scheme. However Welsh Government made a late decision to make up the shortfall which meant that up to 100% reduction would still be available to qualifying claimants.
- 1.3 The initial funding distributed to Councils by Welsh Government has not increased since the new scheme was introduced in 2013/14. Accordingly individual authorities must now make up any on-going shortfalls due to higher expenditure as a result of any additional caseload and/or higher Council Tax levels.

2 Council Tax Reduction scheme – 2014/15 Onwards

- 2.1 The Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 are the regulations that govern the operation of Council Tax Reduction Schemes in Wales for 2014/15 and subsequent years. These were approved by Welsh Government on the 26th November 2013. Also approved were the default regulations which would apply if an authority failed to adopt the scheme.
- 2.2 The Prescribed Scheme regulations and Default Regulations are extensive and detailed, comprising almost 300 pages and are not therefore appended to this report.
- 2.3 The scheme is subject to the annual up-rating of certain figures used by authorities to assess individual customers' entitlement and is also subject to periodic technical adjustments. These amendments are contained in ***The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Miscellaneous Amendment) (Wales) Regulations 2025***.
- 2.4 These regulations have been laid in the Welsh Assembly on 10th December 2024 and will be debated by Welsh Government on 21st January 2025. If approved, they will come into force on 24th January for 2025/26. These complex regulations will update the main regulations and therefore form part of the 2025/26 scheme.

- 2.5 This statutory instrument amends the previous 2013 Regulations to update certain figures used to calculate entitlement to a council tax reduction, and the amount of any such reduction awarded in the 2025/26 financial year.
- 2.6 These will include Personal Allowances as well as carer and disabled premiums, and the financial figures in respect of these allowances have been increased in line with the cost of living crisis. They have been updated in line with the Consumer Price Index September figure from the previous year (2024), which is 1.7%.
- 2.7 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 for Work and Pensions.
- 2.8 The financial figures for the income bands and deductions made in respect of non- dependants have also been updated.
- 2.9 In addition to updating the financial figures, the statutory instrument makes a number of other amendments as follows.

Use of Universal Credit data as an intention to claim

- 2.10 The Welsh Government consulted between 12 March and 6 June 2024 on proposed changes to the Council Tax Reduction Scheme with the aim of making it easier to access and simpler to administer. The majority of respondents to the consultation agreed with the proposal that a person in receipt of Universal Credit may be recognised by a local authority as having made an application for a council tax reduction.
- 2.11 The proposed amendments will ensure that where a person is in receipt of Universal Credit, and where relevant information in relation to that entitlement has been shared with a local authority, then that authority may treat that as an intention to apply for CTRS and to process that application in accordance with the 2013 CTRS Regulations.

Exemptions from the Habitual Residence Test

- 2.12 The Department for Work and Pensions has laid regulations to ensure that displaced persons arriving in the UK from conflict in Sudan are able to meet the residency conditions for income-related, disability and carer benefits.
- 2.13 The proposed amendments will allow displaced persons from Sudan access to the CTRS in Wales.
- 2.14 The consequential amendment is being made to ensure that this group of people are not exempt from those counted as persons not being in Great Britain. The same changes have been made to the scheme in England

Displaced Persons from Israel, Palestine or Lebanon

- 2.15 The Department for Work and Pensions has laid regulations to ensure that displaced persons arriving in the UK from conflict in Israel, the Occupied Palestinian Territories or Lebanon are able to meet the residency conditions for income-related, disability and carer benefits.
- 2.16 The proposed amendments will allow displaced persons from Israel, Palestine and Lebanon access to the CTRS in Wales
- 2.17 The consequential amendment is being made to ensure that this group of people are not exempt from those counted as persons not being in Great Britain. The same changes have been made to the scheme in England

Victims of Overseas Terrorism Compensation payments

- 2.18 The Department for Work and Pensions has laid regulations to ensure that the Victims of Overseas Terrorism Compensation Scheme is added to the list of compensation schemes, for which payments are disregarded as capital for the calculation of income-related benefit entitlements. This will ensure compensation payments, including those paid to the family members of victims of terrorist attacks in Israel, are disregarded indefinitely as capital when calculating entitlements to income-related benefits.
- 2.19 The proposed amendments will ensure that no CTRS applicant living in Wales is negatively impacted because they have received a payment made under the Victims of Overseas Terrorism Compensation Scheme

Removal of requirement to pay Class 2 National Insurance Contributions

- 2.20 From 6 April 2024 self-employed people with profits above £12,570 (the lower profits threshold) are no longer liable to pay Class 2 NICs and instead are treated as having paid Class 2 NICs. The Department for Work and Pensions has laid regulations to make various changes to legislation to remove references to Class 2 NIC contributions, including to the CTRS in England, to remove references to the lower profits threshold.
- 2.21 The proposed amendments will ensure that the provision mirrors the changes made in England to omit references to the Lower Profits Threshold for National Insurance Contributions
- 2.22 The suggested changes will bring Wales in line with the adjustments made and implemented in England

Migrant Victims of Domestic Abuse Concession

- 2.23 From 16 February 2024, the Home Office changed the name of the Destitution Domestic Violence Concession (DDVC) to the Migrant Victims of

Domestic Abuse Concession (MVDAC). This concession allows individuals who were previously granted leave to stay in the UK as the spouse or partner of a British citizen or someone settled in the UK, and whose relationship has broken down due to domestic abuse, to apply for three months 'Leave Outside the Rules', which allows recourse to public funds. Amendments to the CTRS Regulations will be required to change references from DDVC to MVDAC

- 2.24 The proposed amendments will ensure that they reflect the updated title of the Migrant Victims of Domestic Abuse Concession.

Minor technical and consequential amendments

- 2.25 A further minor technical amendment has been made to update a previous reference in relation to statutory parental bereavement pay.

3. Discretionary Powers

- 3.1. Although a national scheme has been approved by Welsh Government, within the Prescribed Requirements Regulations there continues to be limited discretion given to Councils to apply additional discretionary elements that are more generous than the national scheme. It should be noted however, that there are no additional monies available from Welsh Government to fund the discretionary elements.

- 3.2. There are four areas of discretion available to authorities, as follows:

- a) Discretion to increase the amount of War Disablement Pensions, War Widows Pensions and analogous payments, that are disregarded when calculating income of the claimant;

[Note: The Council, in common with all other authorities in Wales, has previously, exercised its discretion and fully disregarded War Disablement pensions, War Widows Pensions in the calculation of Housing Benefit and Council Tax Benefit.

This approach has been retained by the Council for the Council Tax Reduction scheme. The estimated cost to the Authority for 2025/26 is approximately £14k.

- b) The ability to increase the standard extended reduction period of 4 weeks given to persons after they return to work where they have previously been receiving a Council Tax Reduction that will cease as a result of their return to work;

[Note: The 4 week "run on" was an established feature of the former Council Tax Benefit scheme, the existing Housing Benefit scheme and is retained for the all-Wales, standard Council Tax Reduction scheme.

If the Council were to increase this period it would deviate from the established arrangements, create a serious anomaly with the on-going Housing Benefit system and increase the cost to the Council]

- c) The ability to backdate the application of Council Tax Reduction with regard to late claims prior to the new standard period of three months before the claim;

[Note: The previous Council Tax Benefit regulations allowed maximum backdating of 6 months for working age customers, 3 months for pension age customers]

- d) The ability to provide more than the minimum information prescribed as part of the notifications of decisions procedures.

[Note: The Regulations already provide for the provision of detailed information to be included in the notification of decisions including the ability to advise of the impact and consequences of failure to notify a change in circumstances.

- 3.3. In relation to its discretionary powers, the Council has to date, adopted the following approach since Council Tax Reduction scheme was introduced:

Council:

- a) exercises its discretion and fully disregards War Disablement pensions, War Widows Pensions and analogous payments when calculating income for the purposes of assessing entitlement to Council Tax Reduction
- b) does not exercise its discretion in relation to extended payments and therefore adopts the 4-week period specified within the standard scheme,
- c) does not exercise its discretion in relation to backdating applications and therefore adopts the 3-month maximum period specified within the standard scheme
- d) does not exercise its discretion in relation to the provision of additional information, and continues to provide the information prescribed as part of the notifications decisions procedures

4. Adoption of Scheme

- 4.1. Under the requirements of the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 the Council is obliged to make a Council Tax Reduction scheme. Furthermore, in order to do so,

the regulations require the Council to determine its approach to the discretion powers available to it.

4.2. It is therefore recommended that subject to the regulations being approved and coming into force for 2025/26:

a) Council adopts a scheme in accordance with the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 and any subsequent amendments that may be required by legislation from time to time, in particular:

i. Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Miscellaneous Amendment) (Wales) Regulations 2025

and

b) Council adopts the discretionary powers as follows:

- i. Council exercises its discretion and for the purposes of assessing entitlement to Council Tax Reduction disregards in full War Disablement Pension, War Widows & Widowers Pensions and any analogous payments as permitted under the Regulations.
- ii. Council does not exercise its discretion in relation to extended payments and therefore applies the 4 week period specified within the standard scheme.
- iii. Council does not exercise its discretion in relation to backdating applications and therefore adopts the 3 month maximum period specified within the standard scheme.
- iv. Council does not exercise its discretion in relation to the provision of additional information and continues to provide the information prescribed as part of the notifications decisions procedures.