

READING BOROUGH COUNCIL  
REPORT BY MANAGING DIRECTOR

TO:	POLICY COMMITTEE		
DATE:	31 OCTOBER 2016	AGENDA ITEM:	13
TITLE:	PROPOSED CHANGES: LOCAL COUNCIL TAX SUPPORT SCHEME AND REMOVAL OF COUNCIL TAX DISCOUNT FOR PROPERTIES UNDERGOING MAJOR WORKS AND ARE EMPTY AS A RESULT		
LEAD COUNCILLOR:	COUNCILLOR JO LOVELOCK	PORTFOLIO:	CORPORATE SUPPORT
SERVICE:	CORPORATE SUPPORT SERVICES	WARDS:	BOROUGHWIDE
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**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 This report sets out a range of options to make amendments to the local Council Tax Support Scheme for the 2017/18 financial year. These options would add to the council tax income collected and therefore contribute to closing the budget gap for the period 2017-2020.
- 1.2 The report also proposes the removal of the council tax discount awarded on empty properties undergoing major works from April 2017 which will also contribute to council tax income and be in support of closing the budget gap.
- 1.3 A statutory consultation period is required for changes to the Council Tax Support Scheme and subject to member approval it is proposed to consult for a period of 8 weeks incorporating the removal of the major works council tax discount. The timetable is included in the report.
- 1.4 An equality impact assessment for these proposals has been carried out and is set out in Appendix One.

**2. RECOMMENDED ACTION:**

- 2.1 Consider the options for changes to the Council Tax Support Scheme for implementation from 1 April 2017.
- 2.2 That option 6 is endorsed as the preferred option for consultation, according to the timetable set out in Para 7.1, which is to implement: the Earned Income disregards and Non-dependant deductions on 25% minimum contribution from the 1<sup>st</sup> April 2017.
- 2.3 That the Council Tax Support scheme is amended to reflect the changes in Housing Benefit so that if a person is absent from Great Britain for a period of more than four weeks, their benefit will cease.

- 2.4 That the Council Tax Support Scheme is recommended for the next 2 years 2017/18 & 18/19 and is not subject to change unless there are significant changes in the Housing Benefit Scheme that would warrant the same changes needing to be reflected in the Council Tax Support Scheme for ease of administration or unexpected financial implications. This would be subject to further review and a formal decision making process.
- 2.5 Consider the proposal removal of the Council Tax discount for major works to properties while they are empty from 1<sup>st</sup> April 2017.
- 2.6 It is recommended that the other options proposed in this report are not taken forward.
- 2.7 That councillors approve consultation on the preferred options for changes to the Council Tax Support Scheme and Council Tax Discount to begin on 1<sup>st</sup> November 2016 for a period of eight weeks.

### 3. POLICY CONTEXT

- 3.1 In 2013 Council Tax Benefit was abolished and there was then a requirement for all local authorities to put in place a local Council Tax Support Scheme. Each year there is a requirement for the local authority to review the scheme and if amendments are proposed there must be a consultation process and responses duly considered before applying the changes. This report sets out a range of options to amend the scheme. Each proposal has a potential increase in council tax income as a consequence, and will therefore contribute to reducing the budget gap.
- 3.2 In 2013 the Government implemented a Technical Reform of Council Tax which allowed billing authorities to set its own levels of discounts and exemptions on a range of Council Tax properties including empty, second homes and those undergoing major works. The Council introduced a range of changes at that time but we have not yet reviewed our approach to the Major Works discount. We are now proposing to change this discount in line with neighbouring authorities.

### 4. CURRENT POSITION: COUNCIL TAX SUPPORT

#### 4.1 Our Current Scheme:

In brief our current Council Tax Support scheme for 2016/17 has the following characteristics:

#### Persons of Working Age

For the billing year 2016/2017, persons of "Working Age", are required to make a minimum contribution of at least 20% towards their Council Tax liability, instead of 15%. In other words, from 1 April 2016, the maximum Council Tax Support available to persons of "Working Age" is based on 80% of their Council Tax liability. %.

Where a person of "Working Age" is entitled to Council Tax Support of £5 per month, (equivalent to £1.15 p/w) or less, they no longer qualified for any Council Tax Support from 1 April 2016.

From 1 April 2016, the maximum amount of Council Tax Support than can be awarded is based upon the Council Tax charge for a Band D property, properties in bands above band D are automatically restricted.

Persons of "Working Age" making a new claim for Council Tax Support after 1 May 2016 no longer qualified for a "Family Premium" within the calculation of their claim.

There are no backdating provisions within our Council Tax Support Scheme.

There are no second adult rebate provisions within our Council Tax Support Scheme for persons of "Working Age".

A person's monthly Universal Credit payment will also be treated as part of their overall income in the calculation of their Council Tax Support assessment.

#### Persons of Pension Age

Persons of "Pension Age" are largely protected by the Government prescribed default scheme and continue to have their entitlement to Council Tax Support calculated on 100% of their Council Tax liability.

Persons of "Pension Age" are entitled to have their Council Tax Support assessment based on their Council Tax liability for the actual band of property that they are occupying. In other words, a person of "Pension Age" will not have their Council Tax Support calculation capped to a Band D property, if they happen to occupy a property in Bands E, F, G or H.

#### Non-dependant deductions

Deductions are made from an applicant's Council Tax Support for any persons aged over 18 who normally live with them, or for whom they do not receive Child Benefit, subject to certain exclusions. Non-dependants are typically grown up children or elderly relatives.

There are 4 levels of deductions

Less than £195	£3.77 per week
Between £195 and £388	£7.58 per week
Between £388 and £420	£9.56 per week
Over £420	£11.45 per week

There are certain categories that attract no deduction and these remain in place for both working age and pension age customers.

#### 4.1 Council Tax Support Scheme options:

**Option 1: Reduce the current capital limit for Council Tax Support from £6,000 to £3,000 leaving the minimum contribution at 20%**

This this would generate a potential income of circa £60,000

**Option 2: Remove earned income disregards from our scheme and amend level of Non-dependent deductions leaving the minimum contribution at 20%**

This would reflect the changes of earned income disregards within the Tax Credits & Universal Credit changes which now incentivise working in their schemes; we are in effect replicating this DWP benefit feature into our Council Tax Support Scheme.

In addition to this change we could change the number of non-dependant deductions from 4 rates as above to two. This would introduce 2 flat rates:

£7.50 per week for non-working/low income  
£12.50 per week for working

These changes modelled together would generate a potential income of circa £575,000

**Option 3: Introduce Options 1 and 2 whilst retaining the minimum contribution at 20% would generate an additional income of circa £635,000**

**Option 4: Increase the minimum contribution to 25% for all working age customers**

Based on our current calculations, by increasing all current working age customers minimum contribution to their Annual Council Tax Liability to 25% based on current caseload would generate a further potential income of circa £382,000

**Option 5: Reduce the capital from £6,000 to £3,000 based on 25% minimum contribution**

Removes a larger number of customers from the scheme as no they will no longer qualify, this generates a potential income of £437,000

**Option 6: Apply the proposed changes on Earned Income disregards and Non-dependant deductions on 25% minimum contribution**

These combined would see more customers not qualifying based on their income and household circumstances this generates a potential income of circa £930,000

**Option 7: Apply all as above to the 25% minimum contribution**

Applying Options 4, 5 and 6 combined would generates circa £970,000

**Option 8: Apply options 5 and 6 but increasing the minimum contribution to 22.5%**

Increasing the minimum contribution to 22.5% and implementing changes to the capital limit, earned income disregards and non-dependent deductions would create a potential income of £779,000

It is recommended that Option 6 is the preferred option for the following reasons:

- This would reflect the changes of earned income disregards within the Tax Credits & Universal Credit changes which now incentivise working in their schemes; we are in effect replicating this DWP benefit feature into our Council Tax Support Scheme.
- In applying 2 flat rates for non-dependants this introduces more clarity and simplification to the Scheme making it easier to understand from a customer perspective.
- A 25% minimum contribution supports generating the savings required to help meet in part the required savings in our overall budget position.

#### 4.2 Other Options:

We are unable to model the following proposals, these are administrative easements that would enable easier assessment and ensure our LCTS scheme remains aligned to other features of the national benefit system, that will cause less confusion to customers and raise small amounts of extra income.

**Consider Changing Temporary Absence Rules**

Within the current scheme, customers can be temporarily absent from their homes for 13 weeks (or 52 weeks in certain cases) without it affecting their Council Tax Support award. This replicates the rule within Housing Benefit. Housing Benefit legislation has been changed so that if a person is absent from Great Britain for a period of more than four weeks, their benefit will cease. It is proposed that the Council Tax Support scheme is amended to reflect the changes in Housing Benefit. There will be exceptions for certain occupations such as mariners and the armed forces. The four weeks can be extended to eight weeks in special circumstances.

It is recommended that this option is included in the consultation for consideration to be included in the scheme from April 2017.

#### Removal of the Third Child Allowance

Within the current scheme, customers who have children are awarded a dependant's addition of £66.90 per child within the calculation of their needs (Applicable Amounts). There is no limit to the number of dependant's allowances that can be awarded. From April 2017 Central Government will be limiting dependant's additions in Universal Credit, Housing Benefit and Tax Credits to a maximum of two. This will only affect households who have a third or subsequent child on or after 1st April 2017. The Council Tax Support scheme could be amended to reflect the changes in Housing Benefit and Central Government Benefits. However this is not recommended for inclusion in the options for consultation since it is believed that this would unduly impact on families with 3 or more children.

- 4.3 It is recommended that the Council Tax Support Scheme implemented in 2017 is for a 2 year period 2017/18 & 18/19 and is not subject to change unless there are significant changes in the Housing Benefit Scheme that would warrant the same changes needing to be reflected in the Council Tax Support Scheme for ease of administration or unexpected financial implications. This would be subject to further review and a formal decision making process.
- 4.4 We have carried out a short survey with other Unitary Authorities on proposed changes to their schemes:

Below is a table of their current schemes and proposed changes for 17/18 \*

Out of 18 Local Authorities 7 propose an increase to their current minimum contribution.

Local Authority	LA area	Minimum council tax payment level 16/17	Proposed minimum council tax payment level 17/18
Southampton	Unitary Authority	25.0%	No change
Torbay	Unitary Authority	25.0%	45.0%
West Berkshire	Unitary Authority	25.0%	30.0%
Telford and Wrekin	Unitary Authority	21.0%	25% or 30%
Bracknell Forest	Unitary Authority	20.0%	Introduce Income Band Scheme
Brighton and Hove	Unitary Authority	20.0%	Increase taper 25%
Darlington	Unitary Authority	20.0%	No change
Derby	Unitary Authority	20.0%	25% 30% or 35%
Isle of Wight	Unitary Authority	20.0%	25% or 30%
Milton Keynes	Unitary Authority	20.0%	No change
Plymouth	Unitary Authority	20.0%	No change
Poole	Unitary Authority	20.0%	No Information
Portsmouth	Unitary Authority	20.0%	25% - 30% Working / 0- 10% limited Capacity
Reading	Unitary Authority	20.0%	No Change or 22.5% -25%
Slough	Unitary Authority	20.0%	No change
Swindon	Unitary Authority	20.0%	No change
Windsor and Maidenhead	Unitary Authority	10.0%	No change
Wokingham	Unitary Authority	10.0%	20.0%

\*The data provided by these authorities was based on current proposals in each authority which are subject to approval and confirmation and are therefore provided as an indication of intention at the time of writing. They are subject to their own consultation and approval process.

## 5. Current Position Major Works discount

We currently offer a major works discount of 50% for 12 months followed by a full charge. At this present time there are 115 major works discounts on our system at an annual cost of £35,000. This is fairly typical at any point in time.

Proposed change:

We propose to remove this discount entirely in line with many other local authorities which would generate a potential £35,000 additional income.

## 6. CONTRIBUTION TO STRATEGIC AIMS

6.1 This proposal will contribute to the following key priority set out in the Council's Corporate Plan 2016-19:

Remaining financially sustainable to deliver the Council's service priorities.

## 7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1 There is a statutory requirement to carry out consultation on a Local Council Tax Support Scheme. The guidance recommends that public consultation should be carried out as early as possible to ensure feedback can influence the scheme and allow sufficient time for the feedback to be gathered, impacts to be understood, and a scheme to be shaped.

Although Government's code of practice on consultation states that normally 12 weeks is appropriate, billing authorities may wish to consider the appropriate length of their consultation depending on the impact of their proposals and the ability to complete the consultation exercise within budgetary timetables.

The code of practice indicates that where timing is restricted, for example, due to having to meet a fixed timetable such as a budget cycle, there may be good reason for a shorter consultation, and any documentation should be clear for the reasons for the shorter.

We propose to carry out our consultation by having an on line survey within our website detailing our proposed options. This on line survey will also include the changes approved on the 18<sup>th</sup> July 2016 to our Council Tax discounts schemes on second homes, vacant properties class c, and major works proposed in this report.

We will specifically consult key stakeholders: Voluntary Sector Organisations, Advice and Support Agencies, Private Landlords, Housing Associations and other stakeholders, including our preceptors.

Publish Consultation on the Council's website	01/11/2016
Consult with key stakeholders	November/December
Review Consultation Feedback	28 <sup>th</sup> - 31st December
Make amendments subject to consultation	Early January
Publish Final Proposal in Policy Committee Report for January	5/1/2017
Policy Committee Recommends Final Scheme to Council	15/01/2017
Software Changes start to be made to Test Environment	16/01/2017
Council Decides 2017/18 Scheme (Legal Deadline is 31/1/17 or scheme remains same as 2016/17 and no saving is realised)	24/01/2017
Testing on the system	27/01/2017
CTRS Scheme sent to DCLG	30/01/2017
Council Tax Set / Budget Setting at Council	24/02/2017
Bills issued reflecting revised LCTS Scheme	March 2017
Formally Implement Change	01/04/2017

## 8. EQUALITY IMPACT ASSESSMENT

### 8.1 A Full Equality Impact Assessment is set out at Appendix 1.

All of the current options impact negatively on all customers of working age currently in receipt of Council Tax Support. Those that also have non-dependants living with them will also see a further reduction in the amount of Council Tax support they receive and will have to pay an increase in Council Tax.

Pensioners remain unaffected by these proposals.

In the situation where a customer presents in hardship or financial difficulty as a result of these combined changes, we will continue to consider the award of discretionary Council Tax Support in order to mitigate this effect on their household, pending a full financial disclosure of the household. We will specifically target the use of discretionary Council Tax Support where the non-dependant deductions are causing the greatest impact to households and are causing exceptional hardship.

## 9. LEGAL IMPLICATIONS

### 9.1 In 2013 the Government Abolished Council Tax Benefit and replaced it with a

requirement for Local Authorities to set their own Council Tax Support Scheme. Authorities must do this by 31 January each year or the scheme they had in the year before continues.

The Scheme explained here is proposed as the CTS Scheme for Reading Borough Council in its capacity as a Billing Authority, under Section 13A (1) (a) of the Local Government Finance Act 1992 ( as amended by section 10 of the Local Government Finance Act 2012).

This proposed CTS Scheme would apply from 1st April 2017.

The Council's CTS Scheme is subject to the Council's duties for local welfare support under provisions including:

- The Welfare Reform Act 2012;
- The Localism Act 2011;
- The Equalities Act 2010;
- The Local Government Finance Act 1992 and 2012;
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 SI 2012/2885 (as amended);
- Other legislation in relation to Vulnerable Groups including but not limited to the Child Poverty Act 2010;
- The Social Security Contributions and Benefits Act, 1992 and the Social Security Administration Act 1992;
- Data Protection Act 1998;
- The Housing Benefit Regulations 2006 (The HB Regulations)
- The Council Tax Reduction Schemes (Default Scheme)(England) Regulations 2012 (The Default Scheme)
- The Welfare Reform and Work Act 2016

9.2 The decision about the scheme is linked to the decision that is reserved to Council to set the tax base for tax setting purposes, as effectively reducing council tax support increases the tax base, so more money is collected for each £1 of council tax that is set in February 2017.

## 10. FINANCIAL IMPLICATIONS

10.1 There are a range of financial implications as stated above, these however are all income generation rather than loss to the Local Authority. However, we do have to consider the likely collection rate on any of these proposed changes.

Our analysis over the current % collected on CTS cases, demonstrates around an 84% collection rate in year therefore any assumptions above need to be reduced by this rate; it should be noted that the arrears from a current financial year continue to be collected in future years:

Option	Income £	Net Income (84% collection)
1. Capital Reduction to £3000	£60,000	£50,000
2. Income & Non-dep	£575,000	£483,000
3. Combine 1 & 2	£635,000	£533,000
4. Raise min 25%	£382,000	£321,000
5. Raise Min to 25% & reduce capital	£437,000	£367,000
6. Raise Min to 25% & apply non-dep &	£930,000	£726,000



remove EI		
7. Combine 5 & 6 & capital	£970,000	£815,000
8. Apply EI, capital & non-dep to Min of 22.5%	£779,000	£654,000

The other options within this paper do present further income generation opportunities however we are unable to model them as they are unknown but relatively low quantities at this time which will not make a material difference to our wider tax base estimate.

## 11. BACKGROUND PAPERS

- 11.1 *CTRS Scheme* [http://www.reading.gov.uk/media/1779/Council-Tax-Reduction-Scheme-Policy/pdf/Shortened\\_Council\\_Tax\\_Reduction\\_Scheme\\_for\\_2016-2017.pdf](http://www.reading.gov.uk/media/1779/Council-Tax-Reduction-Scheme-Policy/pdf/Shortened_Council_Tax_Reduction_Scheme_for_2016-2017.pdf)
- 11.2 Appendix one Equality Impact Assessment
- 11.3 Appendix two Case Studies and further detailed analysis



Provide basic details

Name of proposal/activity/policy to be assessed

1. Council Tax Support Scheme 2017/18 introduction of higher non-dependant deductions, removal of earned income disregards in our calculations, changes to temporary absence, limit the number of dependent children in the calculation of CTS to 2 from April 17 , and an increase to a minimum 25% contribution

Directorate: Corporate Resources Chief Executive's

Service: Customer Services / Corporate Resources

Name and job title of person doing the assessment

Name: Kirsty Anderson

Job Title: Income & Assessment Manager

Date of initial assessment: 5<sup>th</sup> September 2016

Scope your proposal

What is the aim of your policy or new service?

In 2013/14 the government abolished council tax benefit and local authorities were required to introduce local schemes. Overall funding was cut by 10% and there was a proviso that pensioners would be protected and made no worse off. The local scheme we introduced was designed to cost the Council the same as when we received Revenue Support Grant which meant requiring a contribution of 15% from residents assessed as eligible for support. We increased the minimum contribution to 20% for the 2016 /17 year and restricted the support to a Band D to continue to offset the reduction of grant funding.

However with continued budget pressures, and having to find further income streams to fund our budget position, we are proposing to increase the minimum contribution and change other aspects of the scheme. It is still however our intention is to ensure the Local Council Tax Support scheme continues to provide support to low income households in Reading, whilst managing the decrease in funding.

The aims of this policy are:

- to manage the cost of the scheme within the available funds, ensuring that

additional burdens are not put upon the general fund at further cost to local taxpayers;

- to maintain a scheme that meets the requirements of the Local Government Finance Act, the Equality Act 2010, the Child Poverty Act 2010, and the Housing Act 1996
- to ensure that the scheme is clear and easy to understand for applicants and to simplify administration where possible.

We are proposing that the application and calculation process used by the existing council tax support scheme will remain much the same but there will be some changes as follows:

- Working age benefit claimants would face a 25% minimum contribution in respect of their contribution to their Council Tax liability.

Currently we have 10,771 customers receiving Council Tax Support, 6879 are working age and 3892 pension age.

Our proposals also aim to ensure that the protection already offered to vulnerable claimants as part of the original Council Tax Support Scheme is retained, along with work incentives created through the award of extended payments for those going into work.

As our Council Tax Support scheme continues to follow the calculation routes originally designed in the Council Tax Benefit Scheme, our scheme is still based on the award of premiums and applicable amounts that reflect disability and age. Therefore it continues to protect those of pensioner age and those in receipt of disability benefits by offsetting by ways of a means test in the main.

However we also propose to introduce a change to the level of Council Tax Support non -dependant deductions, remove the earned income disregards in line with the changes in Universal Credit, and reflect the changes to temporary absence in the Housing Benefit Rules in to the scheme.

There is not specific data available to be able to identify on a case by case basis the impact on each individual claim. We will continue to use the discretionary Council Tax Support fund as part of our local council tax support scheme to help people who may face exceptional and extraordinary difficulties in paying their council tax.

This could include those people who are disproportionately affected by these changes other changes under welfare reform agenda.

#### **Who will benefit from this proposal and how?**

The Council faces significant challenges over the next few years, as it continues to receive reductions in grant funding, and increasing demands on service delivery.

This proposal forms part of the ongoing work that is being undertaken to address the Council's budget position.

Everyone who currently receives Council Tax Support, except pensioners, will be affected in a negative way by these changes in that they will receive less financial support. Those with non-dependant working adults forming part of their makeup will be effected more by these changes and they will need to seek additional contributions from the working adults living with them. However to continue to provide Council Tax Support at the level currently provided would cause such a shortfall in the authority's budget and the budget of those that levy a precept to it (Fire and Police Authorities) that could not be met without ceasing, reducing or seeking additional charges for services - also likely to have disproportionate effect on the most vulnerable.

**What outcomes will the change achieve and for whom?**

The Council's budget cannot cover a continuing shortfall in Government funding without increasing the Council Tax for all residents, or reducing the cost of statutory services or cutting or reducing non-statutory Services. This mitigates an element of the cost of the Council Tax Support Scheme across working age customers in receipt of Council Tax supports.

**Who are the main stakeholders and what do they want?**

70,000 Council Tax payers including 10,771 in receipt of Council Tax Support

Preceptors

Neighbouring Councils

Special interest organisations such as Citizens Advice Bureau, Welfare Rights, Housing Associations, National Federation of Landlords

Organisations representing vulnerable groups

Disabled people

Low income out of work

Low income in work

Homelessness prevention.

### Consultation

Relevant groups/experts	How were/will the views of these groups be obtained	Date when contacted
Members / Senior Officers	Series of meetings regarding budget saving proposals summer 2016,	Commenced September 2016

<p>Consultation</p> <p>We will consult on our proposals through November and December 2016. Feedback will contribute to the Equality Impact Assessment which will be updated once we have received the feedback in early January 2017.</p>	<p>Web on line survey</p>	<p>Nov -December 2016</p>
<p>Targeted invitation to participate in on line consultation:</p> <p>Preceptors</p> <p>Neighbouring Councils</p> <p>Special interest organisations such as Citizens Advice Bureau, Welfare Rights, Housing Associations, National Federation of Landlords</p> <p>Organisations representing vulnerable groups</p> <p>Disabled people</p> <p>Low income out of work</p> <p>Low income in work</p> <p>Homelessness prevention.</p>	<p>Email including Web on line survey link</p>	<p>Nov -December 2016</p>

**Collect and Assess your Data**

**Describe how this proposal could impact on Racial groups**

Data regarding ethnicity is not available from the Council Tax Support Database  
 However, the 2011 census confirms the following on data on ethnicity in Reading:

Ethnicity Group	Reading 2011
White British	66.9%

Other White	7.9%
Mixed	3.9%
Indian	4.2%
Pakistani	4.5%
Other Asian	3.9%
Black Caribbean	2.1%
Black African	4.9%
Black Other	0.7%
Chinese	1.0%
Other ethnic group	0.9%

National studies show that children from Black and Minority Ethnic communities face a particularly high risk of growing up in poverty. In Reading a higher proportion of Mixed race and children from Black communities are eligible for free school meals (an indicator of poverty) than White children, but a lower proportion of Asian and Chinese children are.  
*Source: RBC school census 2015*

Therefore Black and Minority Ethnic households could be disproportionately affected by reductions in CTS

Data provided in relation to customers in receipt of JSA in Reading who would by default be entitled to Council Tax Support in July 2015 show that the proportions of JSA claimants are broadly representative across ethnicity:

63% of the 1470 people claiming JSA are white British people and 355 BME claimants

Is there a negative impact?                      Not sure

Describe how this proposal could impact on Gender/transgender (cover pregnancy and maternity, marriage)

Specific data is not available on those protected characteristics for the Council Tax Support client base

Is there a negative impact?                      Not sure

**Describe how this proposal could impact on Disability**

The number of working age customers currently in receipt Council Tax Support with disability premiums (disability, enhanced disability, severe disability, disabled child) continue to receive a level of protection as their benefit calculation continues to reflect an allowance for disability. If they are in receipt of qualifying benefits which the majority are; they do not attract a non-dependant deduction therefore will be not be affected by the changes to the non-dependant amounts.

However If they are working they will be effected by the earned income disregards. These customers would see a small increase in their contribution.

However this is not disproportionate across the other working age customers in receipt of Council Tax support. In fact they still remain to have more of their total income disregarded in the calculation so are affected to a much lesser extent.

Is there a negative impact? Not sure

**Describe how this proposal could impact on Sexual orientation (cover civil partnership)**

Civil Partnership is reflected and recognised within the overall benefits system, therefore these customers are affected in the same way as all customers There are no differences in the calculations.

Is there a negative impact? No

**Describe how this proposal could impact on Age**

Pensioners will be protected from any increase in contribution as they have been protected by the Government advising that they cannot be asked to contribute any additional amount therefore their Council Tax Support entitlement remains the same.

For households of working age where the customer is not on passported benefits which means they are working or in receipt of work related benefits, these customers are affected by the changes, we have identified there are 271 customers who are likely to receive the largest reduction of up to 30% in lost council tax support. This should not cause financial difficulties if the customer seeks to pass on this loss to the working non-dependants within the household and asks them for a greater contribution to the household bills. However should this continue to cause the customer hardship we will consider the use of the discretionary Council Tax Support Scheme to mitigate in part this loss.

Is there a negative impact? Yes

Describe how this proposal could impact on Religious belief?

Specific data is not available on those protected characteristics for the Council Tax Support client base

Is there a negative impact? No

Make a Decision

If the impact is negative then you must consider whether you can legally justify it. If not you must set out how you will reduce or eliminate the impact. If you are not sure what the impact will be you MUST assume that there could be a negative impact. You may have to do further consultation or test out your proposal and monitor the impact before full implementation.

Tick which applies

1. No negative impact identified      Go to sign off
2. Negative impact identified but there is a justifiable reason      X

Reason

The Council's budget cannot continue to cover a continuing shortfall in Government funding without increasing the Council Tax for all residents, or reducing the cost of statutory services or cutting or reducing non- statutory Services. This mitigates an element of the cost of the Council Tax Support Scheme across working age customers in receipt of Council Tax supports.

The options proposed have been identified to have the least impact on equality groups based on an affected customer base of working age and therefore more likely to have the opportunity to make life choices that will improve their financial positions. These include taking on more hours, better positions, or requiring additional adults within the household to contribute more to living expenses.

How will you monitor for adverse impact in the future?

Listen to customer feedback and comments / complaints as changes are proposed and or implemented

We will provide updates on known impacts as the changes are implemented through the officer welfare & poverty steering group



Signed (completing officer) Kirsty Anderson  
(reviewed)

Date 21st Oct 2016

Signed (Lead Officer) Zoe Hanim

Date 21<sup>st</sup> Oct 2016

### Explanatory Note and Modelling information regarding Council Tax Support Scheme

The report includes a number of options for changes to our Council Tax Support Scheme. This note explains the proposed changes together with the associated customer and financial impacts. A number of case studies are also included to help illustrate this.

#### Option 1: Reduce Capital Limit from £6,000 to £3,000 - Minimum contribution remains at 20%

Under the 2016/17 scheme, customers of working age who have capital which includes money in current or savings accounts, stocks and shares and cash holdings above £6,000 are not entitled to any assistance with their Council Tax through the Council Tax Support Scheme.

The average Band D Charge is £1,647.82 per year so under this option someone with savings of £3,000 or more would be considered able to meet their liability in full for at least 12 months

It is considered that this would generate an additional saving of circa £60,000

#### Option 2: Remove earned income disregards from our scheme and amend level of non-dependent deductions- Minimum Contribution remains at 20%

Within the current scheme we ignore a certain amount of earnings from the calculation of a customer's weekly income. This disregard varies depending on the claimant's personal circumstances but at least one disregard applies to everyone in employment, no matter how many hours per week. The levels of income disregarded are set out in the table below.

Single Claimant	£5 per week of earnings disregarded
Couple	£10 per week of earnings disregarded
Disabled / Carer	£20 per week of earnings disregarded
Lone Parent	£25 per week of earnings disregarded

#### Case Study 1:

Mr B is a single customer working 20 hours per week on the National living wage, currently £7.20 per hour. He lives in a Band D property and receives a 25% Single Person Discount.

Under the 2016/17 scheme, Mr B would have been entitled to £303.16 per year in Council Tax Support leaving him £932.71 to pay which would be approximately £77.23 per month if paid over 12 instalments.

Under the proposed scheme removing earnings disregards, Mr B would be entitled to £251.16 a year in Council Tax Support leaving him £984.71 to pay which would be approximately £82 per month if paid over 12 instalments.

**Case Study 2:**

Mr and Mrs C are both in work. Mr C works 40 hours per week for £320 and Mrs C works 6 hours for £60 per week. They have 2 children of school age and live in a Band E property.

Under the 2016/17 scheme, Mr and Mrs C would have been entitled to £237.64 per year in Council Tax Support leaving them £1,776.35\* to pay which would be approximately £148 per month if paid over 12 instalments.

*\* Mr and Mrs C already capped to a Band D under the 2016/17 scheme*

Under the proposed scheme removing earnings disregards, Mr and Mrs C would be entitled to £133.64 a year in Council Tax Support leaving them £1,880.35 to pay which would be approximately £157 per month if paid over 12 instalments.

**Case Study 3:**

Miss A is a lone parent working 16 hours per week. She earns £130 per week and her other income (Tax Credits) used in the calculation is £80 per week. She lives in a Band D property and receives a 25% Single Person Discount.

Under the 2016/17 scheme, Miss A would have been entitled to £702 a year in Council Tax Support leaving her £533.87 to pay which would be approximately £45 per month if paid over 12 instalments

Under the proposed scheme removing earnings disregards, Miss A would be entitled to £546.52 a year in Council Tax Support leaving her £689.35 to pay which would be approximately £57 per month if paid over 12 instalments.

Within the current scheme there are also a number of levels of non-dependent deduction which can apply depending on the non-dependent's income and in some cases, the circumstances of the customer.

It is important to note that where Attendance Allowance, Personal Independence Payments Daily Living Component, or Disability Living Allowance Care Component is paid to the customer or partner of the customer, no non-dependent deduction applies regardless of the non-dependents income.

It is proposed that we replace the current 5 bands with 2 new band levels

£7.50 for non-dependents in work or on a gross income below £195 per week

£12.50 for those working and earning in excess of £195 per week.

It is considered that the changes to earned income disregards and non-dependent deductions would together generate additional income of £575,000

**Option 3: Introduce Options 1 and 2 whilst retaining minimum contribution at 20%**

It is estimated that introducing the changes to capital and to earnings disregards and non-dependent deductions, would generate additional income of circa £635,000

**Option 4: Increase the minimum contribution to 25% for all Working Age Customers**

Based on current calculations, an increase of the minimum contribution to the Annual Council Tax liability of the current caseload from 20% to 25% would generate potential additional income of circa £382,000.

The table below sets out minimum contributions at 20% and 25% levels for each property banding.

Band	Current Annual Charge	20% minimum Contribution	25% minimum contribution
A	£1,098.54	£219.71	£274.64
B	£1,281.64	£256.33	£320.41
C	£1,464.73	£292.95	£366.18
D	£1,647.82	£329.56	£411.96
E	£2,013.99	£402.80	£503.50
F	£2,380.18	£476.04	£595.05
G	£2,746.36	£549.27	£686.59
H	£3,295.64	£659.13	£823.91

**Option 5: Reduce Capital Limit from £6,000 to £3,000 - Minimum contribution increased to 25%**

Make changes to capital as detailed in Option 1 but based on an increased minimum contribution to 25% would generate an additional saving of circa £437,000

**Option 6: Remove earned income disregards from our scheme and amend level of non-dependent deductions.**

Introduce the changes to earned income disregards and non-dependent deductions as set out in Option 2 but based on a 25% minimum contribution.

It is estimated that implementing these changes to earned income disregards and non-dependent deductions would generate an additional circa £930,000

**Case Study 1:**

Mr B is a single customer working 20 hours per week on the National living wage, currently £7.20 per hour. He lives in a Band D property and receives a 25% Single Person Discount

Under the 2016/17 scheme, Mr B would have been entitled to £303.16 per year in Council Tax Support leaving him £932.71 to pay which would be approximately £77.23 per month if paid over 12 instalments.

Under the proposed scheme removing earnings disregards and increasing minimum contribution to 25%, Mr B would be entitled to £189.80 a year in Council Tax Support leaving him £1,046.07 to pay which would be approximately £87 per month if paid over 12 instalments

**Case Study 2:**

Mr and Mrs C are both in work. Mr C works 40 hours per week for £320 and Mrs C works 6 hours for £60 per week. They have 2 children of school age and live in a Band E property.

Under the 2016/17 scheme, Mr and Mrs C would have been entitled to £237.64 per year in Council Tax Support leaving them £1,776.35\* to pay which would be approximately £148 per month if paid over 12 instalments.

*\* Mr and Mrs C already capped to a Band D under the 2016/17 scheme*

Under the proposed scheme removing earnings disregards and increasing minimum contribution to 25%, Mr and Mrs C would be entitled to £50.96 a year in Council Tax Support. As the weekly award would be less than £1, under changes made in 2016/17, Mr & Mrs C would not meet the minimum award test (£5 per month or more in CTS) and therefore would have no entitlement to any assistance leaving them £2,013.99 to pay which would be approximately £168 per month if paid over 12 instalments.

**Case Study 3:**

Miss A is a lone parent working 16 hours per week. She earns £130 per week and her other income (Tax Credits) used in the calculation is £80 per week. She lives in a Band D property and receives a 25% Single Person Discount.

Under the 2016/17 scheme, Miss A would have been entitled to £702 a year in Council Tax Support leaving her £533.87 to pay which would be approximately £45 per month if paid over 12 instalments

Under the proposed scheme removing earnings disregards and increasing minimum contribution to 25%, Miss A would be entitled to £380.12 a year in Council Tax Support leaving her £751.23 to pay which would be approximately £71 per month if paid over 12 instalments.

**Option 7: Introduce Options 4, 5 and 6**

By introducing the changes to the capital limit, earnings disregards and non-dependent deductions and raising the minimum contribution of 25%, it is estimated that this would generate circa £970,000

**Option 8: Introduce Option 7 but with an increase to the minimum contribution to 22.5% for all Working Age Customers**

Band	Current Annual Charge	20% minimum Contribution	22.5% minimum contribution
A	£1,098.54	£219.71	£247.17
B	£1,281.64	£256.33	£288.37
C	£1,464.73	£292.95	£329.56
D	£1,647.82	£329.56	£370.76
E	£2,013.99	£402.80	£453.15
F	£2,380.18	£476.04	£535.54
G	£2,746.36	£549.27	£617.93
H	£3,295.64	£659.13	£741.52

Changes to the earned income disregards as set out at Option 2 would lead to lower awards for customers than at present and case studies are shown below for the purpose of demonstration.

**Case Study 1:**

Mr B is a single customer working 20 hours per week on the National living wage, currently £7.20 per hour. He lives in a Band D property and receives a 25% Single Person Discount

Under the 2016/17 scheme, Mr B would have been entitled to £303.16 per year in Council Tax Support leaving him £932.71 to pay which would be approximately £77.23 per month if paid over 12 instalments.

Under the proposed scheme removing earnings disregards and increasing minimum contribution to 22.5% , Mr B would be entitled to £220.48 a year in Council Tax Support leaving him £1015.39 to pay which would be approximately £84.62 per month if paid over 12 instalments

**Case Study 2:**

Mr and Mrs C are both in work. Mr C works 40 hours per week for £320 and Mrs C works 6 hours for £60 per week. They have 2 children of school age and live in a Band E property.

Under the 2016/17 scheme, Mr and Mrs C would have been entitled to £237.64 per year in Council Tax Support leaving them £1,776.35\* to pay which would be approximately £148 per month if paid over 12 instalments.

*\* Mr and Mrs C already capped to a Band D under the 2016/17 scheme*

Under the proposed scheme removing earnings disregards and increasing minimum contribution to 22.5%, Mr and Mrs C would be entitled to £92.56 a year in Council Tax Support leaving them £1,921.43 to pay which would be approximately £160 per month if paid over 12 instalments.

**Case Study 3:**

Miss A is a lone parent working 16 hours per week. She earns £130 per week and her other income (Tax Credits) used in the calculation is £80 per week. She lives in a Band D property and receives a 25% Single Person Discount.

Under the 2016/17 scheme, Miss A would have been entitled to £702 a year in Council Tax Support leaving her £533.87 to pay which would be approximately £45 per month if paid over 12 instalments

Under the proposed scheme removing earnings disregards and increasing minimum contribution to 22.5%, Miss A would be entitled to £411.32 a year in Council Tax Support leaving her £824.55 to pay which would be approximately £69 per month if paid over 12 instalments.

Implementing the changes to the capital limit, earned income disregards and non-dependent deductions and raising the minimum contribution to 22.5% would generate potential income of circa £779,000