

Subject: Council Tax Reduction Scheme 2017

Report to: EMT 29/09/16
Policy & Resources Committee 18/10/16
Council 03/11/16

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SUBJECT MATTER/RECOMMENDATIONS

This report seeks decision and approval of the 2017 Local Council Tax Support/Reduction Scheme

1. INTRODUCTION/BACKGROUND

- 1.1 The Committee Report of the 14th June 2016 requested permission to commence consultation in relation to the 2017 Local Council Tax Support/Reduction Scheme.
- 1.2 In April 2013 Council Tax Benefit was replaced with a new Local Council Tax Support/Reduction Scheme. This followed the Government announcement in the Spending Review 2010 that financial support for council tax would now be localised.
- 1.3 Initially the amount of funding provided to local authorities to run the scheme was approximately 10% less than what was previously spent on the Council Tax Benefit scheme. For the first 2 years funding had been specifically ring-fenced for allocation towards the scheme.
- 1.4 In 2014, the Government announced that future funding towards the Council Tax Support/Reduction Scheme would be included within the overall Revenue Support Grant and would not be separately identified or ring-fenced from within the grant.
- 1.5 In designing a local scheme for 2017 the council has to consider:
 - The amount of funding the Council wants to allocate towards the scheme
 - Support for pensioners must be protected and would not be affected by the local scheme meaning that the rules around a localised scheme would only apply to those customers of working age.

2. CURRENT POSITION

- 2.1 Consultation in relation to the 2017 scheme closed on the 21st September 2016.
- 2.2 Consultation was based on options for a working age scheme with pensioners being protected.
- 2.3 The consultation ran for a 12 week period and covered a number of questions, results are shown in Appendix 3.

- 2.4 A total of 75 surveys were completed.

3. REQUIREMENTS FOR CHANGE

- 3.1 Each year it is a legal requirement for councils to decide what the following years Local Council Tax Support/Reduction scheme will be even if there are no changes to it from the existing previous year.
- 3.2 Part of the funding for Great Yarmouth Borough Council for the 2017 Scheme will be partially met again from the Revenue Support Grant. Norfolk County Council and the Police are being funded by the DCLG directly.
- 3.4 Appendix 1 gives the options for consideration and also the costs of both schemes. Option 1 is to continue with the current scheme. Option 2 looks to reduce the maximum amount of award to customers to 87.5%.

Both options should mirror the forthcoming changes to Housing Benefit and Universal Credit legislation and continue to support the main welfare reform principles that you should not be better off out of work than in work.

- 3.5 The options apply only to those of working age and protects pensioners at their previous Council Tax Benefit calculation.
- 3.6 Each Local Authority must decide what type of scheme they are going to have each year. This means that other nearby Local Authorities can have different types of schemes with varying financial implications for customers. Please refer to Appendix 2 which gives information on the schemes currently in place locally for 2015-16.

4 FINANCIAL IMPLICATIONS

- 4.1 For illustrative purposes the following gives the financial breakdown of the cost for the recommended Option 2 (87.5% maximum award against liability)

4.2	£
Estimated Cost of Scheme	9,061,458
Precept Split	
Norfolk County Council	6,901,507
Police	1,234,175
GYBC	848,981
Parish	76,795

The Revenue Support Grant continues to reduce significantly.

- 2016-17 RSG was set at £3,739,667
- 2017-18 RSG is due to reduce further to £3,006,673

Included within this continues to be an element of baseline funding to offset the costs of the local scheme but as this continues to decline the shortfall in funding will continue to widen.

Applying the same percentage (11.6%) of the Revenue Support Grant in the final year that funding had been specifically ring-fenced, we can apply this to the 2017-18 RSG which means £348,774 can be allocated to offset the cost of the 2017 scheme.

The burden of the shortfall is consumed by the collection fund but this could result in larger deficits. Where this is the case, Great Yarmouth Borough Council would pick up approximately 10% of the deficit, which in 2015-16 amounted to £13,000.

5 RISK IMPLICATIONS

5.1 Council Tax Collection

Collection rates of council tax have been impacted with the introduction of the localised scheme especially in more deprived areas, but it is worth noting that they have not been as low as first anticipated.

6 RECOMMENDATIONS

6.1 To decide the 2017 scheme based on Option 2.

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	
Section 151 Officer Consultation:	Yes – Financial impact as outlined
Existing Council Policies:	Yes – Council Tax Reduction Scheme/Council Tax Legislation
Financial Implications:	Yes as outlined
Legal Implications (including human rights):	Yes – 2017 Council Tax Reduction Scheme must be agreed by Council by 31 st January 2017
Risk Implications:	Yes as outlined
Equality Issues/EQIA assessment:	Yes
Crime & Disorder:	
Every Child Matters:	Yes

Appendix 1

Council Tax Reduction Scheme Options 2017

Option 1 – Current Scheme

The current Scheme has been running for 4 years and limits the maximum amount of award for working age customers to 91.5% of the Council Tax Liability.

The anticipated cost for this scheme for 2017 based on forecasting would be **£9,249,296 (GYBC Cost £866,563)**

Option 2

This scheme limits the maximum amount of award for working age customers to 87.5% of the Council Tax Liability.

The anticipated cost for this scheme for 2017 based on forecasting would be **£9,061,458 (GYBC Cost £848,981)**

Please refer to **Annex A** for the impact on caseload groups.

Taking into account results of the consultation both options would look to include the following:

- A flat rate of non-dependant deduction at £5
- Retain 2nd Adult Rebate
- Implement a minimum level of income for self-employed earners
- Removal of family premium to align with Housing Benefit changes
- Reduce backdating to 1 month to align with Housing Benefit changes
- Reduce temporary absence to 4 weeks to align with Housing Benefit changes
- To remove Employment Support Allowance components to align with Housing Benefit changes
- To limit the number of children calculated within the applicable amount to 2 to align with Housing Benefit changes
- To remove the Severe Disability Premium to align with Housing Benefit changes

Some of these changes would align the scheme to Housing Benefit and Universal Credit legislative changes keeping the scheme easier to administer and easier for customer to understand.

This table below gives an example of the impact for Council Tax Band A groups of customers

Impact on Band A for Option 2

Couples and Families

Option	Maximum Percentage	Annual Liability	Support with current scheme	Support after	Annual reduction	Weekly reduction
2	87.5%	1,033.47	945.63	904.29	41.34	0.80

Lone Parents and Singles

Option	Maximum Percentage	Liability	Support with current scheme	Support after	Annual reduction	Weekly reduction
2	87.5%	775.10	709.22	678.21	31.01	0.60

Option 2

87.5% Max Award

Overall

- 51% affected by less than **60p** per week
- 33% affected by less than **80p** per week
- 12% affected by less than **£1** per week
- 3.97% affected by less than **£12** per week
- 0.03% no longer qualify for help under the new scheme

Couples

- 64% affected by less than **80p** per week
- 29% affected by less than **£1** per week
- 7% affected by less than **£1.50** per week

Families

- 55% affected by less than **80p** per week
- 34% affected by less than **£1** per week
- 10.12% affected by less than **£1.50** per week
- 0.69% affected by less than **£5** per week
- 0.19% affected by less than **£12** per week

Lone Parents

- 59% affected by less than **60p** per week
- 33% affected by less than **80p** per week
- 6% affected by less than **£1** per week
- 1% affected by less than **£2** per week
- 0.89% affected by less than **£10** per week
- 0.11% no longer qualify for help under the new scheme

Singles

- 73% affected by less than **60p** per week
- 20% affected by less than **80p** per week
- 6% affected by less than **£1** per week
- 0.83% affected by less than **£1.50** per week
- 0.17% affected by less than **£5** per week

Appendix 2

Local Authority	Max Award of Liability	Savings limit	Other benefits counted as income?	Second adult rebate reduced or abolished?	Changes made to non-dependent deductions?	Support restricted to a particular council tax band?	Changes made to backdating rules?	Changes made to conditions around starting work?
Great Yarmouth	91.5%	16000	No	No	No	No	No	No
ARP	91.5%	16000	No	Yes	No	No	No	No
Broadland	83.00%	16000	No	Yes	No	No	No	No
North Norfolk	91.5%	16000	No	No	No	No	No	No
Norwich	100%	16000	No	No	No	No	No	No
South Norfolk	85%	16000	Yes	Yes	Yes	Yes D	Yes	No
King's Lynn and West Norfolk	75%	16000	No	Yes	No	No	No	Yes

Appendix 3

Results of the Council Tax Reduction Scheme Consultation

Q1. I have read the background information about the Council Tax Reduction Scheme?

Yes	97.3 %
No	2.7 %

Q2. Should the Council keep the current Council Tax Reduction Scheme?

Yes	78.7 %
No	10.7 %
Don't Know	10.7 %

Q3. The current scheme requires all working age customers to make a minimum payment of 8.5% towards their Council Tax. An option to consider is to increase this minimum payment up to 20% of their Council Tax.

The benefits of this are:- It is a simple alteration to the scheme which is easy to understand.- It is fair because everyone will share the increase.

The drawback of doing this is:- All working age households receiving Council Tax Reduction will be required to pay more.

Do you agree with this proposed change to the scheme?

Yes	18.7 %
No	77.3 %
Don't Know	4.0 %

- Q4. An option to consider would be to introduce a standard level of non dependant deduction of £7.00 for all customers claiming Council Tax Reduction who have non dependant residents with them.

The benefits of doing this are:- It is simple to understand compared to current rules (At present the deduction can range from £0.00 to £11.45 per week).- Some households may see an increase in awards.

The drawback of this is: - The household may receive less Council Tax Reduction than at present.

Do you think we should introduce a standard Non Dependant deduction of £7.00 per week?

Yes	36.0 %
No	32.0 %
Don't know	32.0 %

- Q5. An option to consider would be to remove Second Adult Reduction from the Council Tax Reduction Scheme. The current Council Tax Reduction Scheme can grant a reduction up to 25% in certain cases where the income of a 'second adult' (not the applicant's partner) who resides with the applicant is unemployed or has a low income.

The benefit of this is:- It removes an element of the current scheme where the reduction bears no relationship to the income of the claimant.

The drawback of this is:- A small number of people who currently receive Second Adult Reduction will receive less.

Do you agree with the removal of Second Adult Reduction?

Yes	4.0 %
No	38.7 %
Don't Know	17.3 %

- Q6. In order to align Council Tax Reduction with Universal Credit, the Council is considering an option to use a minimum level of income for those who are self-employed. This would be in line with the National Living Wage (or National Minimum wage if you are under 25) for 35 hours worked per week. Any income above this amount will be based on the actual amount earned. This would not apply until 1 year from the start of the business.

The benefits of this are:- The treatment of income for self-employed customers for Council Tax Reduction will be broadly in line with Universal Credit.- It should encourage self-employed working age customers to expand their business.

The drawback of this is:- Where a working age customer declares no income or a very low income, the council will assume a minimum income level based on the National Living or Minimum Wage.

Do you agree with the proposal to set income for self-employed earners with a minimum earned income for their claim?

Yes	40.0 %
No	41.3 %
Don't Know	18.7 %

- Q7. The removal of family premium from 1st April 2017 for new claims will bring the Council Tax Reduction Scheme in line with Housing Benefit. The family premium is part of how we assess the 'needs' of any applicant. Family premium is normally awarded when there is at least one dependant child residing with them. Removing the family premium will mean that when we assess the applicant's needs it would not include the current family premium of £17.45 per week. This change will not affect those on Universal Credit, Income Support, Income Related Employment Support Allowance or Income Based Job Seekers Allowance.

The benefit of this is:- It brings the working age Council Tax Reduction Scheme in line with Housing benefit changes made by Central Government.

The drawbacks of doing this are:- New working age residents may see a reduction in the amount of support they receive.- Some households with children will pay more.

Do you agree with this change to the scheme?

Yes	45.3 %
No	37.3 %
Don't know	17.3 %

Q8. An option to consider would be to reduce backdating of a new claim for Council Tax Reduction to 1 month. This is in alignment with Housing Benefit. Currently subject to circumstance we can backdate a claim by 3 months.

The benefit of this is:- It is a simple alteration to the scheme which is easy to understand .

The drawback of this is:- New working age residents may see a reduction in the amount of support they receive if they are unable to claim on time.

Do you agree with this change to the scheme?

Yes	56.0 %
No	36.0 %
Don't know	8.0 %

Q10. The period for which a person can be absent from Great Britain and still receive Council Tax Reduction is currently 13 weeks. To align with Housing Benefit it is proposed to reduce this time to 4 weeks when if exceeded would result in the Council Tax Reduction being ceased. There are certain exceptions which may still apply.

The benefits of this are:- The treatment of Temporary Absence will be in line with Housing Benefit.- It is seen as fair.- There are exceptions for certain occupations including armed forces and mariners.

The drawback of this is: - If a person is absent from Great Britain for a period which exceeds 4 weeks, their Council Tax Reduction would cease from when they leave the country and they would need to re-apply on their return.

Do you agree with the change to the Temporary Absence rule?

Yes	88.0 %
No	9.3 %
Don't know	2.7 %

- Q11. From April 2017 all new applicants of Employment & Support Allowance (ESA) who fall within the Work Related Activity Group will no longer receive the component from either their ESA or within their calculation of Housing Benefit. It is proposed that the Council Tax Reduction scheme is amended to reflect these changes.

The benefits of doing this are:- The treatment of ESA will be in line with Housing Benefit.- It avoids additional costs to the Council Tax Reduction Scheme.- Persons receiving ESA will not experience any reduction in Council Tax Reduction.

There is no drawback

Do you agree with this proposed change to the scheme?

Yes	68.0 %
No	17.3 %
Don't Know	14.7 %

- Q12. To limit the number of dependant children within the calculation for Council Tax Reduction to a maximum of two. Within the current scheme, customers who have children are awarded a dependant's addition of £66.90 per child within their applicable amount and there is no limit to the dependant additions that can be awarded. From April 2017 Central Government will be limiting dependant's additions to some other benefits to a maximum of two. This will only affect households who have a third child or subsequent child on or after 1st April 2017. There will be some exceptions around a multiple birth, adopted children or where households merge.

The benefits of doing this are:-Council Tax Reduction will be brought in line with Housing Benefit, Universal Credit and Tax Credits.- It is simple and easy to administer.

The drawbacks of doing this are:-Customers who have a third or subsequent child after 1st April 2017 may receive less Council Tax Reduction than a customer who has more children born before 1st April 2017.

Do you agree with this proposed change to the scheme?

Yes	69.3 %
No	21.3 %
Don't Know	9.3 %

- Q13. An option to consider would be to remove the Severe Disability Premium where another person is paid Universal Credit (Carers Element) to look after them. Currently when another person is paid Carers Allowance to look after a Council Tax Reduction applicant, then the Severe Disability Premium is not included when working out their needs. The proposed change will align the scheme with Housing Benefit by treating persons who received the Universal Credit (Carers Element) in the same way as anyone receiving Carers Allowance.

The benefit of doing this is:- Council Tax Reduction will be brought in line with Housing Benefit.- It is simple and easy to administer.

Do you agree with the proposed change to the scheme?

Yes	45.3 %
No	30.7 %
Don't Know	24.0 %

- Q14. If the Council keeps the current scheme, we will need to find savings from other services to help meet the expected reduction in Government. The proposals set out in this consultation could deliver savings.

Do you think we should increase the level of Council Tax?

Yes	20.0 %
No	65.3 %
Don't Know	14.7 %

- Q15. Do you think the Council should find savings from cutting other Council Services?

Yes	52.0 %
No	33.3 %
Don't Know	14.7 %

Q16. Do you think the Council should use Council savings?

Yes	60.3 %
No	24.7 %
Don't Know	15.1 %

Q17. If the Council were to choose these other options to make savings, what would be your order of preference? Please rank in order of preference by writing a number from 1-3, where 1 is the option that you would most prefer and 3 is the least.

Preference (1-3)	1	2	3	Rating Average
Increase the level of Council Tax	16	13	36	2.31
Reduce funding available for other Council Services	17	26	24	2.1
Use the Council's savings	33	28	11	1.69