

Shepway District Council Council Tax Reduction Scheme 2017/18 Consultation Background Information

This consultation opens 06/06/2016 and closes on 28/08/2016.

Background

Like other councils, Shepway District Council has a difficult financial situation to manage over the coming years and, faced with the prospect of further reductions in government support will have to make savings and increase income. Part of these savings **could** come from reducing the amount of financial help provided to residents on low incomes through the Council Tax Reduction Scheme.

This is a complex issue. We would like you to read the following background information before giving your views.

Before April 2013, Council Tax payers could apply for Council Tax Benefit (CTB) and receive up to 100% benefit. The Council received full funding from the Government.

Changes introduced by the Government abolished the Council Tax Benefit scheme from 1 April 2013 and made local councils responsible for setting up their own local Council Tax Reduction Schemes (CTRS) for **working age people**. The Government also reduced the amount of funding given to councils to pay for the schemes.

Since 2014/15 the amount of grant received from Government to pay for CTRS is not separated from our general grant. Therefore, any decrease in our general grant means there is less money available to pay for all the services we provide and our Council Tax Reduction Scheme.

The scheme for Pension Age applicants is set by Government and is not affected by any of the options set out in this consultation. However, we still have to fund the Pension Age scheme from our grant.

Our Timetable

We must have a scheme ready by 31 January each year to commence on 1 April of that year and must consult on changes to the scheme.

Previous Public Consultation

We consulted on our proposals for to replace Council Tax Benefit in late summer and autumn 2012. Councillors agreed the details of our Council Tax Reduction Scheme in January 2013 and the scheme came in to effect from 1 April 2013. This consultation sets out some proposals for changes to the scheme for 2017/18. We need your views on the proposals to help us make final decisions.

Reduction in funding to councils

Decisions about changes to the scheme need to be considered alongside the wider challenges being faced. The expected continued reduction in our general grant from government suggests we'll see an overall funding shortfall from 2017/18 to 2019/20 of up to £4 million.

We need to consider how it will deal with this and whether the current Council Tax Reduction scheme should be protected from changes.

Shepway District Council collects Council Tax but most is passed on to Kent County Council, Kent Police and Crime Commissioner and the Kent Fire and Rescue Service.

In 2016/17, the Council including town and parish councils will keep approximately 18% of the Council Tax that we collect. Kent County Council will receive approximately 69% of the Council Tax, the Fire and Rescue Service approximately 4%, and the Police and Crime Commissioner approximately 9%. The Council Tax Reduction scheme reduces the amount of council tax we collect, so there is less for all the organisations.

For example, if the cost of the Council Tax Reduction scheme was reduced by £380,000 Shepway Council would receive approximately £68,000, Kent County Council receive £263,000, the Fire and Rescue Service £15,000 and the Police and Crime Commissioner £34,000.

Other consultation we have undertaken

The law says that we must include Kent County Council, Kent Fire and Rescue Service and Kent Police and Crime Commissioner in an initial consultation about the proposed changes. The proposals set out in this document take account of their views.

The proposals

Councils across the county have been developing proposals for the 2017/18 scheme, which take into account two issues: how to balance the need to provide support in the face of the continued difficult financial environment for local government; and the aim to protect low income applicants.

How much the Council Tax Reduction scheme costs?

The estimated gross cost of our CTRS for 2016/17 is approximately £8.6 million. Our share of this cost is around 18% in line with the split of Council Tax with the County Council, Police and Fire Service.

Council Tax Reduction scheme options being considered

There are fourteen proposed changes being considered for the Council's Council Tax Reduction Scheme from 1st April 2017:

Option 1: Reduce the maximum level of support for working age from 81.5% to 75%

We currently require all working age applicants to make a minimum payment of 18.5% towards their Council Tax. This would increase to 25%. Reducing the maximum level of support available is a simple change to the scheme which is easily understood. The Council is conscious that any minimum payment must be affordable given the household's circumstances. We know that if this change is introduced, there would be a need to protect the most vulnerable households by introducing an Exceptional Hardship Scheme

The impacts of this are:

- It is a simple alteration to the scheme which is easy to understand.
- It is fair because everyone shares the increase
- All working age households receiving Council Tax Reduction will be required to pay more.

Option 2: Removing the family premium for all new working age applicants

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 which is compared with their income. Family Premium is normally given when an applicant has at least one dependent child living with them. Removing the family premium will mean that when we assess an applicant's needs it would not include the family premium (currently £17.45 per week). This change would **not** affect those on Universal Credit, Income Support, Income Related Employment and Support Allowance or Income Based Jobseeker's Allowance.

The impacts of this are:

- It brings the Council Tax Reduction Scheme in line with Housing Benefit changes proposed by Central Government;
- New working age residents may see a reduction in the amount of support they received.
- Some households with children will pay more

Option 3: Reducing backdating of new claims to 1 month

Currently claims for Council Tax Reduction from working age applicants can be backdated for up to 6 months where an applicant can show that they could not claim at an earlier time. Central Government has reduced the period for Housing Benefit claims to 1 month. It is proposed that our Council Tax Reduction Scheme be aligned with the changes for Housing Benefit.

The impacts of this are:

- It is a simple alteration to the scheme which is easy to understand when claiming Housing Benefit and Council Tax Reduction.
- New working age residents may see a reduction in the amount of support they received if they are unable to claim on time.

Option 4: Using a set income for self-employed earners after 1 year's self-employment

In order to align Council Tax Reduction with Universal Credit, the Council proposes to use a minimum level of income for those who are self-employed. This would be in line with the National Living Wage for 35 hours worked per week. Any income above this amount would be taken into account based on the actual amount earned. The income would not apply for a designated start-up period of one year from the start of the business. Variations would apply to part-time workers.

The impacts of this are:

- The treatment of income for self-employed applicants for Council Tax Reduction will be brought broadly into line with Universal Credit.
- It should encourage self-employed working age applicants to expand their business
- Where a working age applicant is self-employed and continues to run a business where their income is below the minimum living wage level, the Council will assume they earn at least the minimum level (based on a 35-hour week, regardless of the hours they work).

Option 5: Reducing the period for which a person can be absent from Great Britain and still receive Council Tax Reduction to 4 weeks

Within the current scheme, applicants can be temporarily absent from their homes without it affecting the Council Tax Reduction – replicating the rule within Housing Benefit. Housing Benefit has been changed so that if a person is absent from Great Britain for a period of more than 4 weeks, their benefit will cease. It is proposed that the Council's Council Tax Reduction scheme is amended to reflect the changes in Housing Benefit. There will be exceptions for certain occupations.

The impacts of this are:

- The treatment of temporary absence will be brought into line with Housing Benefit
- It is seen as fair
- There are exceptions for certain occupations.
- If a person is absent from Great Britain for a period which is likely to exceed 4 weeks, their Council Tax Reduction will cease from when they leave the Country. They will need to re-apply on return

Option 6: Reduce the capital limit from £16,000 to £6,000

At present, residents with savings, capital and investments of more than £16,000 are not entitled to any Council Tax Reduction. Under the proposed change; this limit would be reduced to £6,000.

The impacts of this are:

- Only those working age residents with at least £6000 in savings will be affected.
- There is a low risk to causing any hardship
- Where a working age resident has more than £6,000 in savings, no reduction whatsoever will be payable.

Option 7: To introduce a standard level of non dependant deduction of £10.00 for all applicants who have non-dependents residing with them

Within the current scheme a deduction is made from Council Tax Reduction for people other than the applicant's partner who are 18 years old or over, that person would be expected to contribute towards payment of Council Tax. At present the weekly deductions range from £0.00 to £11.45 per week according to weekly income. The deductions would be replaced by £10.00.

The impacts of this are:

- It is simple to understand compared to current rules
- Some households may see an increase in awards
- The household may receive less Council Tax Reduction than at present

Option 8: To take any Child Maintenance paid to an applicant or partner into account in full in the calculation of Council Tax Reduction

Currently any payments of Child Maintenance paid to either an applicant or their partner does not count when working out their income for Council Tax Reduction. This proposal would allow the Council to include any Child Maintenance in the calculation.

The impacts of this are:

- Some families receive high levels of child maintenance that are not taken into account currently
- It may discourage payments of child maintenance
- Some families will receive less Council Tax Reduction

Option 9: To take any Child Benefit paid to an applicant or partner into account in full in the calculation of Council Tax Reduction

Currently any payments of Child Benefit paid to either an applicant or their partner does not count when working out their income for Council Tax Reduction. This proposal would allow the Council to include any Child Benefit in the calculation.

The impacts of this are:

- Some families receive relatively high levels of Child Benefit that are not taken into account currently
- Some families will receive less Council Tax Reduction

Option 10: To restrict the maximum level of Council Tax Reduction payable to the equivalent of a Band D charge

The current Council Tax Reduction scheme uses the full amount of Council Tax charge irrespective of the band of the property. There are eight Council Tax Bands A to H with Band D being the national average. It is proposed that where an applicant lives in a property which is Band E, F, G or H then the Council Tax Reduction will be calculated on the basis of a Band D charge.

The impacts of this are:

- It can be seen as a fairer method of providing support with those applicants living in higher banded properties **and** receiving Council Tax Reduction having to pay more
- All working age applicants living in premises with a Council Tax band of higher than Band D will have their Council Tax Reduction restricted
- Reductions in awards may affect families living in larger homes

Option 11: Removal of Second Adult Reduction from the 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 impacts of this are:

- It removes an element of the current scheme where the reduction bears no relationship to the income of the applicant
- A small number of people who currently receive Second Adult Reduction will receive less support

Option 12: To remove the element of a Work Related Activity Component in the calculation of the current scheme for new Employment and Support Allowance applicants.

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

The impacts of this are:

- The treatment of ESA will be brought into 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.

Option 13: To limit the number of dependent children within the calculation for Council Tax Reduction to a maximum of two

Within the current scheme, applicants who have children are awarded a dependant's addition of £66.90 per child within their applicable amounts. There is no limit to the number of dependant's additions 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. It is proposed that the Council's Council Tax Reduction scheme is amended to reflect the changes in Housing Benefit and Central Government Benefits. There will be exceptions where: there are multiple births after 1st April 2017 (and the household is not already at their maximum of two dependants within the calculation); adopted children or where households merge.

The impacts of this are:

- Council Tax Reduction will be brought into line with Housing Benefit, Universal Credit and Tax Credits
- It is simple and administratively easy
- Applicants who have a third or subsequent child after 1st April 2017 (and are not excepted from the rules) may receive less Council Tax reduction than an applicant who has more children born before 1st April 2017

Option 14: To introduce a scheme, in addition to Council Tax Reduction, to help applicants suffering exceptional hardship

The option would introduce a scheme whereby, individual cases would be looked at on their own merit. This would:

- Provide greater flexibility to the Council to help those that need it most.
- Enable a safety net for those households suffering exceptional hardship

The impacts of this are:

- It is a scheme that can be adapted to meet individual circumstances
- There will be some additional costs to the scheme

These are described in the consultation questionnaire (below) and the potential savings from the proposed changes are summarised in the table below based on 2015/16 figures:

Option Description	Estimated number of claims affected	Estimated saving to the Council	Estimated saving to Kent CC, Police and Fire	Estimated total saving
Option 1 To reduce the maximum level of support for working age from 81.5% to 75%	5386	£57,090	£323,508	£380,598
Option 2 To remove Family Premium for new claim	279*	£7,616*	£43,156*	£50,772*
Option 3 To reduce backdating to 1 month	130*	£2,112*	£11,965*	£14,077*
Option 4 To use a minimum level of income for self-employed earners after 1 year self-employment	22	£1,734	£9,824	£11,558
Option 5 To reduce the period for which a person can be absent from Great Britain and receive Council Tax Reduction to 4 weeks	Unknown	Unknown	Unknown	Unknown
Option 6 To reduce the capital limit from £16,000 to £6,000	63	£6,505	£36,860	£43,365
Option 7 To introduce a standard level of non dependant deduction of £10 for applicants	200	£7,469	£42,322	£49,791
Option 8 To include Child Maintenance in assessments for Council Tax Reduction	Not currently recorded	Not currently recorded	Not currently recorded	Not currently recorded
Option 9 To include Child Benefit in assessments for Council Tax Reduction	1,166	£57,483	£325,734	£383,217

Option 10

To restrict the maximum level of Council Tax Reduction payable to a Band D charge

126

£38,938

£220,647

£38,938

Option 11

To remove Second Adult Reduction

45

£2,109

£11,950

£14,059

Option 12

To remove the award of a Work Related Activity Component for all applicants who claim Employment and Support Allowance on or after 1st April 2017

4*

£182*

£1,030*

£1,212*

Option 13

To limit the number of dependent children within the calculation for Council Tax Reduction to a maximum of two.

65*

£6,213*

£35,204*

£41,417*

Option 14

To introduce a scheme to help applicants suffering exceptional hardship

Unknown

Unknown

Unknown

Unknown

* These figures have been based on estimates from new cases declared in 2015/16.

Alternatives to reducing the amount of help provided by the Council Tax Reduction Scheme

We have also thought about other ways to make the spending cuts we need to make and maintain the amount of financial support provided by the Council Tax Reduction Scheme, which is currently in place. These have not been completely rejected and you are asked about them in the Questionnaire, but at the moment we do not think we should implement them for the reasons given under each sub-heading below.

We have considered:

1 Increasing the Level of Council Tax

Increasing the level of Council Tax to keep the current Council Tax Reduction Scheme would mean all residents in the Borough paying more. The Council would need to hold a local referendum to ask residents to vote whether or not they would support such an increase.

2 Reduce Funding Available for Other Council Services

If we decide to keep the current Council Tax Reduction Scheme this will mean, there is less money available to deliver all the other services provided by the Council; or

3 Using the Council's savings

The Council has balances (reserves) built up from previous years' through careful financial management and savings. These could be used to maintain the existing scheme over the short term but given the scale of the scheme these would soon run out. This would mean that any decisions would still need to be made as to how to fund the scheme and also those reserves would not be able to be used for any other aspect of services, to protect the Council against any further funding spending reductions or any economic situation that might arise.

4 The Council also considered whether to consult on the inclusion of certain disability benefits, currently disregarded assessments of Council Tax Reduction, but did not feel this was appropriate.

Conclusion

The Council has to consider where savings will come from in order to meet the impact of the continued reductions in government grants and are therefore proposing some changes to the Council Tax Reduction Scheme to meet a small percentage of the required savings. No final decisions have been made yet. The questionnaire seeks your views and suggestions to help us design the scheme for 2017/18.

How to Have Your Say

There is an online questionnaire. This is our preferred method for your response – go to: www.shepway.gov.uk/council-tax/reduction-scheme
Or, if you have evidence that you wish to attach, which you can't do on the questionnaire, please email: CTRS.consultation@shepway.gov.uk
Or write to Head of Finance, Pat Main, Civic Centre, Castle Hill Avenue, Folkestone, Kent CT20 2QY.

Next steps....

Progress reports on the consultation will be added to our website: www.shepway.gov.uk/council-tax/reduction-scheme

You may submit further evidence, ideas or comments by email (CTRS.consultation@shepway.gov.uk)

The consultation closes on 28/08/2016.

We will listen carefully to what residents tell us and take the responses into consideration when making a final decision on the 2017/18 scheme.

Following the decision, the full results from the consultation will be available on the Council's website.

The new scheme will start on **1 April 2017**. The Council will consider the impact of the scheme annually and consult again if it thinks further changes need to be made.