

**Review of Council Tax Reduction Scheme
Options Considered by Kent Finance Officers' Group**

	Option	Commentary/Context	Recommended for consultation?
1	Maintain current scheme (no change)	Does not meet objective of cost savings. In addition, there are changes in HB coming which would mean the CTR and Pension Age CTR / HB schemes would diverge.	✗
2	Increase the level of support available to Working Age claimants to previous Council Tax Benefit Levels (up to 100% for all applicants)	Would be easier to administer and collect but severely exacerbates funding issues. Does not meet objective of cost savings and there may be divergence with HB system as above unless this is addressed. Over 70 authorities nationally still allow up to 100% support for working age claimants. Major preceptors would not support this option.	✗
3	Total Income Discount (Banded) Scheme	Calculate total income of applicant and partner (where applicable) and put in an income 'band'. Bands to be determined. Would make it simpler from claimants point of view, and there could be less ongoing changes to entitlement. Currently no authority has a similar scheme in operation. Would require additional information to be gathered from claimants. Would need to pay for software changes (could be expensive).	✗
4	Passported and Income Discount (Banded) Scheme	Identical to the previous scheme, however any applicant who receives a 'passported' benefit from DWP will automatically be placed in most generous band, cutting down on administration. Only one scheme like this in operation nationally. Relatively simple to understand. However as a high proportion of claimants would receive a passported benefit so automatically default to a single band the attractions of this scheme are diluted.	✗
5	Simplified Means Test leading to a Discount Band	As current system but translate means test into a discount band. Thus if claimant were to change their earnings they may remain in the same band and changes to entitlement would not be needed. Potential to reduce some administration costs. Unclear whether software can be adapted. If it can, likely to be costly. No other council running this scheme.	✗

APPENDIX A

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6	Total Household Income scheme	<p>Include all non-dependant (e.g. adult child) income in means test based on ethos that the whole household should contribute towards Council Tax. One authority has implemented a similar scheme.</p> <p>More complicated to administer as details of all household incomes would need to be collected. Software currently would not allow for this information to be entered automatically and so this would become a manual process. Thus more administration for staff.</p> <p>However potential for more income to be included in the means test - and thus likely to deliver savings within total scheme cost.</p>	X
7	Retain Current Scheme but make the following changes:		
a	Increase the minimum % payable	<p>SDC currently requires working age claimants to pay a minimum of 18.5% towards council tax.</p> <p>Level of contribution varies significantly over the country. 76 councils having a nil contribution rate with 52 schemes having rates over 20%. Medway Council will be highest in Kent at 35% for 2016/17.</p> <p>Evidence there is a “tipping point” somewhere between 20% and 25% after which collection rates are affected significantly. ‘Tipping point’ severely affects applicants on low or fixed incomes particularly single persons and couples with no dependants. Increasing the minimum % that a working age claimant needs to pay beyond a “tipping point” could be counter-productive and unrealistic.</p> <p>Consider option of increasing minimum % to 20-25%</p>	✓
b	Introduce maximum Council Tax band level within scheme	<p>Any claimant living in a property with a higher Band that is set within the scheme would be limited to that band as far as any CTR support is concerned. For example, if maximum level is set at Band D, a claimant from house banded E, F, G or H would be limited in support they receive to equivalent of Band D. A number of authorities have adopted this option with the banding that is used ranging from a band D to as low as a band A. Within Kent, Band D would seem more appropriate as making this too low could disadvantage larger families.</p> <p>Consider option of introducing a maximum band cap at Band D</p>	✓

APPENDIX A

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c	Remove Second Adult Rebate	<p>A taxpayer can presently apply for up to 25% reduction on their liability when an adult moves into their home who is on a low income. The applicant would lose their single person discount but could apply for this reduction instead. The reduction is assessed on the income of the second adult and not that of the taxpayer who could have any level of income or capital.</p> <p>This has been removed in a number of authorities across the country and in East Kent. There is a limited number of cases in SDC so impact small.</p> <p>Consider option of removing Second Adult Rebate</p>	✓
d	Reduce Capital limit	<p>Currently claimants are allowed to have capital (excluding property) of up to £16,000 and still be eligible to claim. This limit could be reduced and it is suggested that this should be reduced to £6,000 or roughly 4 years' worth of council tax. Used in a number of schemes around the country and is relatively simple to administer and is compliant with the system. Will have the effect of removing the entitlement of some claimants.</p> <p>Consider option of reducing capital limit to £6,000</p>	✓
e	Include currently disregarded incomes in calculation of total income	<p>Certain incomes are currently disregarded in full when calculating entitlement for CTR. These include Child Benefit, Child Maintenance, Disability Living Allowance and Personal Independence Payments. Child Benefit and Child Maintenance were included (i.e. were not disregarded) within Council Tax Benefit Schemes until as recently as 2009. Nationally twenty two schemes have reverted to including this income within the assessment.</p> <p>Disability Living Allowance (DLA) and Personal Independence Payments (PIP). These incomes are currently considered when calculating discretionary housing payments but not included within the calculation of Housing Benefit and Council Tax Support. There has however been recent controversy at a national level in respect of the government's proposal to curb PIP in order to deliver savings, and the proposal has been withdrawn. Could also impact on vulnerable groups.</p> <p>Consider option of including child benefit and child maintenance payments in the assessment of income</p>	✓

APPENDIX A

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f	Introduce changes to non-dependant charges	<p>Introduce a standard charge for non-dependants who live in a property. Currently, non-dependant deductions can vary from £0.00 to £11.45 depending on level of income. A standard charge would be easier to administer and could contribute to savings within the scheme. Suggestion from group is £10 per week.</p> <p>Consider option of introducing a standard of £10 per week for non-dependant deduction</p>	✓
g	Introduce Minimum income floor for self-employed claimants	<p>Currently self-employed claimants are asked to declare their own level of income, and it is not unheard of for it to be declared as nil (or close to nil) after taking into account expenses. Claims are difficult to administer and challenging self-declared income levels can be protracted and time consuming.</p> <p>The Universal Credit assessment criteria includes a clause whereby a self-employed claimant is allowed to declare nil income in their first year of operation and then after that initial period to establish the business they are then assessed at either their declared income or at a minimum income floor calculated at 35 hours per week times the living wage. It may be necessary to consider an alternative for people who are unable to work full time (primarily single parents with young children).</p> <p>Consider introducing a minimum income floor for self-employed claimants (after a start-up period of say one year) based upon the living wage at 35 hours per week for full time or 16 hours a week for part-time workers</p>	✓

APPENDIX A

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h	Align Scheme with HB and Pension Age CTR changes	<p>Central Government has announced significant changes to HB including the removal of certain premiums, a limitation on the number of dependants that can be included in the calculation, and the limiting of backdating.</p> <p>If we are to retain a scheme similar to the current one, it will be important to ensure it is aligned with HB as far as possible to aid understanding as well as efficiency of processing. These changes will form part of the prescribed requirements for the Pension Age CTR scheme.</p> <p>Consider option of aligning regulations of ‘base’ CTR scheme with HB and (prescribed) Pension Age CTR scheme</p>	✓
i	Change income tapers to incentivise work	<p>The current taper for assessing CTR claims is 20%, consistent with the previous CTB scheme. Changing this would affect all claimants and would be similar to increasing the minimum % payable.</p> <p>Would also mean changing the software to accommodate this which could be costly</p>	✗