

## Sevenoaks District Council

### Council Tax Reduction Scheme 2017/18 Consultation Background Information

This consultation opens dd/mmm/yyyy and closes on dd/mmm/yyyy.

We are considering making changes to the Council Tax Reduction scheme and would like your views to help us make a decision.

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

### Background information

#### What is Council Tax Reduction?

Council Tax Reduction is a Council Tax discount for eligible people on low incomes. Currently, the maximum discount is 81.5% for working age households and 100% for pensioner age households.

#### Why is a change to the Council Tax Reduction scheme being considered?

Prior to April 2013, eligible people on low incomes could apply for Council Tax Benefit and receive up to 100% benefit. The Council received full funding from the Government to cover the costs of the benefits paid out.

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

Since then, this funding has been reducing each year so there is now less money available to pay for the Council Tax Reduction scheme. The Council is expecting to see continued reductions in Government funding. It therefore needs to consider how it will deal with this and whether the current scheme should be changed to meet the impact of the gap in funding.

#### Who will this affect?

Working age households in the District who currently receive or who will apply for Council Tax Reduction.

Pension age households will not be affected because the amount of discount they receive is regulated by Central Government. However, Councils still have to fund the Pension Age Scheme from their Government funding.

### **What is the timetable?**

The Council must have the 2017-18 Council Tax Reduction scheme approved by 31 January 2017 to commence on 1 April 2017 and must consult on any changes to the scheme.

### **What other consultation is undertaken?**

The law says that we must include the major preceptors - 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 consultation take account of their views.

### **How much does the Council Tax Reduction Scheme cost?**

The estimated gross cost of the Council Tax Reduction scheme for 2016-17 is approximately £5.68 million. The Council's share of this cost is around 12% in line with the split of the Council Tax share with Kent County Council, Kent Fire and Rescue Service and Kent Police and Crime Commissioner.

### **What are the Council Tax Reduction scheme options being considered?**

There are fourteen options being considered for the Council Tax Reduction Scheme for 2017/18, which would reduce the cost of the scheme. The Council is looking to introduce some of these options within the new scheme (working age scheme only).

These options are described in the consultation questionnaire (below) where you will have the opportunity to give your views. The potential impact and savings from the respective options are summarised in the table below:

### **Council Tax Reduction scheme options being considered**

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

#### **Option 1**

Reduce the maximum level of support for working age from 81.5% to 80%

The Council currently requires all working age claimants to make a minimum payment of 18.5% towards their Council Tax. This would increase to 20%. 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. The Council is minded that if this change is introduced, there would be a need to protect the most vulnerable household through the introduction of a targeted exceptional hardship scheme

**The benefits of this are:**

- It is a simple alteration to the scheme which is easy to understand.
- It is fair because everyone shares the increase

**The drawback of doing this is:**

- 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 claimants

The removal of family premium from 1<sup>st</sup> 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 claimant, which is compared with their income. Family Premium is normally given when a claimant has at least one dependant child living with them. Removing the family premium will mean that when we assess a claimant'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 benefit of this is:**

- It brings the Council Tax Reduction Scheme in line with Housing Benefit changes proposed by Central Government;

**The drawbacks of doing this are:**

- 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 claimants can be backdated for up to 6 months where an applicant shows 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 the Council's Council Tax Reduction Scheme be aligned with the changes for Housing Benefit.

**The benefit of this is:**

- It is a simple alteration to the scheme which is easy to understand when claiming Housing Benefit and Council Tax Reduction.

**The drawback of this is:**

- 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 benefits of this are:**

- The treatment of income for self-employed claimants 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
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**The drawback of this is:**

- Where a working age claimant 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. This replicated 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 benefits of the Council 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.

**The drawback of this is:**

- 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 benefits 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

**The drawback of this is:**

- Where a working age resident has in excess of £6,000 in savings, no reduction whatsoever will be payable.

**Option 7**

To introduce a standard level of non dependant deduction of £xx for all claimants who have non dependents resident 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 £XX.

**The benefits of doing this are:**

- It is simple to understand compared to current rules
- Some households may see an increase in awards

**The drawback of this is:**

- The household may receive less Council Tax Reduction than at present

**Option 8**

To take any Child Maintenance paid to a claimant 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 benefit of this is:**

- Some families receive high levels of child maintenance that are not taken into account

**The drawbacks of this are:**

- It may discourage payments of child maintenance
- Some families will receive less Council Tax Reduction

**Option 9**

To take any Child Benefit paid to a claimant or partner into account in full in the calculation of Council Tax Reduction;  
Currently any payments of Child Benefit paid to either a claimant 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 benefit of this is:**

- Some families receive relatively high levels of Child Benefit that are not taken into account.

**The drawback of this is:**

- 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 benefit of this is:**

- It can be seen as a fairer method of providing support with those claimants living in higher banded properties and receiving Council Tax Reduction having to pay more

**The drawbacks of this are:**

- All working age claimants 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 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 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 benefits of the Council doing 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.

**There is no drawback**

**Option 13**

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

Within the current scheme, claimants 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 1<sup>st</sup> 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 1<sup>st</sup> April 2017 (and the household is not already at their maximum of two dependants within the calculation); adopted children or where households merge.

**The benefits of the Council doing this are:**

- Council Tax Reduction will be brought into line with Housing Benefit, Universal Credit and Tax Credits
- It is simple and administratively easy

**The drawbacks of doing this are:**

- Claimants who have a third or subsequent child after 1<sup>st</sup> April 2017 (and are not excepted from the rules) may receive less Council Tax reduction than a claimant who has more children born before 1<sup>st</sup> April 2017

**Option 14**

To remove entitlement to Council Tax Reduction for a claimant classified as a 'Person from Abroad' or subject to Immigration Control. This change would bring into line the Council Tax Reduction schemes for both working age and pensioners.

**The benefits of the Council doing this are:**

- It is a simple alteration to the scheme which is easy to understand
- It is seen as fair

**The drawbacks of doing this are:**

- A small number of people who currently receive Council Tax Reduction will no longer receive any financial support

**Option15**

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

**The benefit of this is:**

- It is a scheme that can be adapted to meet individual circumstances

**The drawbacks of doing this are:**

- 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:

Option Description	Estimated number of claimants affected	Estimated saving to the Council	Estimated saving to Kent CC, Police and Fire	Estimated total saving	Estimated weekly loss to household £
<b>Option 1</b> To reduce the maximum level of support for working age from 82.5% to 80%	3,174 people	£8,585	£41,913	£50,498	£0.31
<b>Option 2</b> To remove Family Premium for new claimants	163 people	£5,029	£24,552	£29,581	£3.49
<b>Option 3</b> To reduce backdating to 1 month	Minimal	Minimal	Minimal	Minimal	Minimal



<b>Option 4</b> To use a minimum level of income for self-employed earners after 1 year self-employment	307 people	£41,815	£204,156	£245,971	£15.41
<b>Option 5</b> To reduce the period for which a person can be absent from Great Britain and receive Council Tax Reduction to 4 weeks	Minimal	Minimal	Minimal	Minimal	Minimal
<b>Option 6</b> To reduce the capital limit from £16,000 to £6,000	58 people	£7,510	£36,669	£44,179	£14.65
<b>Option 7</b> To introduce a standard level of non dependant deduction of £10 for claimants	289 people	£12,708	£62,043	£74,751	£4.97
<b>Option 8</b> To include Child Maintenance in assessments for Council Tax Reduction	136 people	£8,519	£41,591	£50,110	£7.09
<b>Option 9</b> To include Child Benefit in assessments for Council Tax Reduction	593 people	£31,729	£154,910	£186,639	£6.05
<b>Option 10</b> To restrict the maximum level of Council Tax Reduction payable to a Band D charge	238 people	£13,578	£66,293	£79,871	£6.45
<b>Option 11</b> To remove Second Adult Reduction	280 people	£2,252	£10,997	£13,249	£0.91

**Option 12**

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

Minimal

Minimal

Minimal

Minimal

Minimal

**Option 13**

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

31 people

£776

£3,787

£4,563

£2.83

**Option 14**

To remove entitlement to Council Tax Reduction for a claimant classified as a 'Person from Abroad' or subject to Immigration Control

Minimal

Minimal

Minimal

Minimal

Minimal

**Option 15**

To introduce a scheme to help claimants suffering exceptional financial hardship

Not applicable

Not applicable

Not applicable

Not applicable

Not applicable

(The protection scheme will add additional costs to the scheme but it will be designed to protect the most vulnerable who are experiencing exceptional financial hardship)

## 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 District 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**

Using our savings to protect the Council Tax Reduction scheme could be a short-term option. Once used, however, they will be gone and no longer available to support and invest in other Council services.

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 are therefore proposing some changes to the Council Tax Reduction Scheme. 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: xxx.

Or, if you have evidence that you wish to attach, which you can't do on the questionnaire, please email: xxx .

Or write to xxx.

**Next steps....**

Progress reports on the consultation will be added to our website: XXXX

You may submit further evidence, ideas or comments by email (XXX)

**The consultation closes on dd/mmm/yyyy.**

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.