

# Background information to the consultation on our Council Tax Reduction Scheme (also known as the Council Tax Support Scheme) for 2017/18

## What is this consultation about?

Watch our short 3 minute video [here](#) to see the reasons for this consultation.

## How long will the consultation run for?

The consultation will run for 8 weeks. It will start on xx/xx/2016 and finish on xx/xx/2016.

## What is the Council Tax Reduction Scheme?

The Council Tax Reduction Scheme helps the poorest residents in our district by reducing the amount of Council Tax they have to pay. The amount of help we give is means-tested so we calculate a claimant's entitlement to support based on their financial circumstances.

The scheme has been in place since April 2013 and it largely reflects the same criteria as the previous Council Tax Benefit scheme, which was fully funded by the Department for Work and Pensions (DWP).

## Why was the Council Tax Reduction Scheme introduced?

From April 2013, Council Tax Benefit was abolished. The DWP handed responsibility over to the Department for Communities and Local Government (DCLG) and consequently, they introduced a number of requirements. They were:

- The responsibility to create Local Council Reduction Schemes for working-age applicants was placed on Local Authorities, i.e. Sevenoaks District Council;
- Government funding was reduced by the equivalent of 10% from the levels previously paid to Local Authorities through the fully subsidised Council Tax Benefit scheme, and;
- Persons of pension-age applying for Council Tax Reduction would be protected from any cuts and be dealt with under regulations prescribed by the DCLG

## What is this consultation about?

Since 1<sup>st</sup> April 2013, the Council has maintained a Council Tax Reduction Scheme.

Under this scheme, we are only able to determine the level of support we can give to working-age applicants. The scheme for pension-age applicants is determined by Central Government and consequently, the level of support we have to provide for this group of applicants must remain equivalent to the level of support they would have received under

the previous Council Tax Benefit Scheme.

Along with other authorities across Kent, we have decided to complete a full review of our current scheme (which can be found [here](#)). The objectives of the review are to:

- Address potential shortfalls in funding due to the continued reduction in Central Government grants;
- Align the scheme with changes that have been introduced in Housing Benefit and Universal Credit as well as changes that are being proposed in Housing Benefit;
- Target financial support to those working-age claimants who need it most, and;
- Maintain a common approach to the design of Local Council Tax Reduction Schemes across Kent.

This consultation sets out options for changing our Council Tax Reduction Scheme, starting from 1<sup>st</sup> April 2017. The law says that we must also include Kent County Council, Kent Fire and Rescue Service and Kent Police and Crime Commissioner. This has been done and the options detailed below take into account their views.

### What are the options being considered?

#### Option 1

#### **Reduce the maximum level of Council Tax Reduction for working-age applicants from 81.5% of their Council Tax liability to 80%**

Irrespective of financial circumstances, we currently require all working-age claimants to make a minimum payment of 18.5% towards their Council Tax. Under this proposal, this would increase to 20%.

However, we are conscious that any increase in the minimum payment of Council Tax must be affordable to working-age claimants who are currently receiving support. Therefore, if this change is introduced we also think we should introduce an Exceptional Hardship Scheme to help protect the most vulnerable households from extreme financial difficulties.

#### Impact of introducing this option

Introducing this option would mean that every working-age claimant would share the estimated loss in Council Tax Reduction equally. Consequently, it would mean that every working-age claimant would be required to pay a little more towards their Council Tax.

#### Financial implications of introducing this option

Estimated number of claimants affected	Estimated weekly loss in Council Tax Reduction	Estimated annual saving to the Council	Estimated annual saving to Kent CC, Fire & Police	Total estimated annual saving
3174	£0.31	£8,584	£41,913	£50,497

## Option 2

### Remove the Family Premium for all new working age applicants

The Family Premium is part of a figure (the applicable amount) that is used to calculate entitlement to Council Tax Reduction. The Family Premium is currently £17.45 per week and it is an amount which is included in the calculation when a claimant has at least one dependent child living with them.

Removing the Family Premium will only affect new claims from working-age claimants. It will not affect working-age claimants who currently receive Council Tax Reduction and it will not affect those on Universal Credit, Income Support, Income Related Employment and Support Allowance or Income Based Jobseeker's Allowance.

### Impact of introducing this option

The Family Premium has already been removed from the Housing Benefit Scheme for all new claims from working-age claimants so this option will bring the Council Tax Reduction Scheme in line with the Housing Benefit Scheme.

Anyone currently claiming Council Tax Reduction who has a child will keep the Family Premium. However, they may be affected if they stop claiming Council Tax Reduction after 31<sup>st</sup> March 2017 and then have to make a new claim in the future.

Anyone with a child who makes a new claim for Council Tax Reduction from 1<sup>st</sup> April 2017 onwards will be affected and consequently, they will not be awarded the Family Premium. This means the level of support for new claimants will be less than the support given to existing claimants with a child. These households will therefore have to pay more Council Tax.

### Financial implications of introducing this option

Estimated number of claimants affected	Estimated weekly loss in Council Tax Reduction	Estimated annual saving to the Council	Estimated annual saving to Kent CC, Fire & Police	Total estimated annual saving
163	£3.49	£5,029	£24,552	£29,581

## Option 3

### Reduce the backdating provision from 6 months to 1 month

At the moment, claims for Council Tax Reduction from working-age claimants can be backdated for up to 6 months where the claimant can show, with good reason, why they could not make their claim earlier.

In such cases, it is proposed that the backdating period for new Council Tax Reduction

claims be reduced from 6 months to 1 month.

#### **Impact of introducing this option**

The backdating provision has already been reduced from 6 months to 1 month in the Housing Benefit Scheme so this option will bring the Council Tax Reduction Scheme in line with the Housing Benefit Scheme. Consequently, this would mean less Council Tax Reduction would be paid to working-age claimants who make a new claim from 1<sup>st</sup> April 2017 onwards and where they make a request for their claim for support to be backdated.

#### **Financial implications of introducing this option**

We are not able to forecast the financial impact of introducing this option because we cannot predict how many new applications for Council Tax Reduction in 2017/18 will have a request for the claim to be backdated.

#### **Option 4**

#### **Introduce a 'Minimum Income Floor' for self-employed claimants after their first year of trading**

It is proposed that a 'Minimum Income Floor' (MIF) be introduced for self-employed working-age claimants whose business has been running for more than a year. The MIF would be an assumed level of earnings and this would be calculated using the National Living Wage and based on a 35 hour week.

Any income above this amount would be taken into account based on the actual amount earned. The MIF would not apply for a designated start-up period of one year from the start of the business and variations would also apply to part-time workers.

#### **Impact of introducing this option**

The principle of introducing the MIF in Council Tax Reduction is the same as it is for Universal Credit i.e. to encourage self-employed people to grow their business, rather than nudging along at minimal income levels and relying on the maximum entitlement to Council Tax Reduction.

The MIF has already been introduced into Universal Credit so this option will bring the Council Tax Reduction Scheme in line with Universal Credit. If introduced, it would impact on working-age self-employed claimants where their business has been running for more than a year. The level of self-employed income that would be used in the calculation of Council Tax Reduction in these cases would, from 1<sup>st</sup> April 2017, be based on what we would expect an employed person to receive in similar circumstances. Consequently, if this assumed level of income is higher than the amount that has been declared, it will mean that those affected will receive less Council Tax Reduction.

**Financial implications of introducing this option**

Estimated number of claimants affected	Estimated weekly loss in Council Tax Reduction	Estimated annual saving to the Council	Estimated annual saving to Kent CC, Fire & Police	Total estimated annual saving
307	£15.41	£41,815	£204,156	£245,971

In addition, Option 1 will also affect the claimants affected by this option. Therefore, the combined impact of both options will mean that the 307 claimants will potentially see a loss in Council Tax Reduction of £15.72 per week.

**Option 5****Reduce the period for which a person can be absent from Great Britain and still receive Council Tax Reduction from 13 weeks to 4 weeks**

Within the current scheme, claimants can be temporarily absent from Great Britain for up to 13 weeks without it affecting their Council Tax Reduction entitlement. This option proposes to reduce this so that if a claimant is absent from Great Britain for a period of more than 4 weeks, their Council Tax Reduction will cease (there will be exceptions for certain occupations).

**Impact of introducing this option**

The period for which a person can be absent from Great Britain and still receive Housing Benefit will be reduced from 13 weeks to 4 weeks sometime this year, so this option will bring the Council Tax Reduction Scheme in line with the Housing Benefit Scheme.

If introduced, this option would impact on working-age claimants who are going to be absent from Great Britain for a period which is likely to exceed 4 weeks. It will mean that their Council Tax Reduction will cease from the date they leave the Country and consequently, they would need to re-apply for Council Tax Reduction on their return.

**Financial implications of introducing this option**

We are not able to forecast the financial impact of introducing this option because we cannot predict how many Council Tax Reduction claimants are likely to leave Great Britain for more than 4 weeks during 2017/18.

**Option 6****Remove the Work Related Activity Component (WRAC) in the calculation of Council Tax Reduction for new claims from working-age claimants who are in receipt of Employment and Support Allowance**

Claimants who apply for Employment and Support Allowance (ESA) also have to undergo a Work Capability Assessment to see the extent to which their illness or disability affects their ability to work. If the assessment places the applicant in a Work Related Activity

Group (WRAG), this means they are considered capable of work at some time in the future. Anyone in a WRAG can get the WRAC component and this is an extra allowance that is used in the calculation of Council Tax Reduction.

From April 2017, new claimants of ESA who are placed in the WRAG will no longer receive the WRAC component in either their ESA or within the calculation of Housing Benefit because it is being abolished.

#### **Impact of introducing this option**

From 1<sup>st</sup> April 2017, the WRAC will be removed in the calculation of Housing Benefit for new claims from working-age claimants who are in receipt of Employment and Support Allowance and placed in the WRAG. Therefore, removing the WRAC in the calculation of Council Tax Reduction will bring the treatment of ESA in line with the calculation used for Housing Benefit.

Anyone currently receiving ESA who is currently placed in the WRAG and claiming Council Tax Reduction will not see a reduction in their Council Tax Reduction entitlement. However, they may be affected if they stop claiming Council Tax Reduction after 31<sup>st</sup> March 2017 and then have to make a new claim in the future.

Anyone in receipt of ESA and placed in the WRAG who makes a new claim for Council Tax Reduction from 1<sup>st</sup> April 2017 onwards will be affected. Consequently, they will not be awarded the WRAC and this means the level of support for new claimants will be less than the support given to existing claimants.

#### **Financial implications of introducing this option**

We are not able to forecast the financial impact of introducing this option because we cannot predict how many new Council Tax Reduction claimants are likely to claim ESA and be placed in the WRAG during 2017/18.

#### **Option 7**

##### **Limit the dependent child addition used in the calculation of Council Tax Reduction to a maximum of two children**

The dependent child addition is part of a figure (the applicable amount) that is used to calculate entitlement to Council Tax Reduction. The addition is currently £66.90 for each child and there is currently no limit on the number of dependent child additions used in the calculation.

From April 2017, the Government will be limiting dependent additions to a maximum of two children in Universal Credit, Housing Benefit and Tax Credits.

#### **Impact of introducing this option**

Limiting the dependent child addition to a maximum of two children from 1<sup>st</sup> April 2017 will bring the calculation of Council Tax Reduction in line with the calculation for Housing

Benefit.

This will only affect households who have a third or subsequent child on or after 1st April 2017, however, there will be exceptions where there are multiple births after 1st April 2017, there are adopted children in the household or where households merge.

#### Financial implications of introducing this option

Estimated number of claimants affected	Estimated weekly loss in Council Tax Reduction	Estimated annual saving to the Council	Estimated annual saving to Kent CC, Fire & Police	Total estimated annual saving
31	£2.83	£776	£3,787	£4,563

#### Option 8

##### Exclude foreign nationals with limited immigration status (Persons from Abroad) from receiving Council Tax Reduction

This proposal is simply to apply the same restriction that exists in other state benefits.

##### Impact of introducing this option

This option will bring eligibility for Council Tax Reduction in line with eligibility for Housing Benefit but it will mean that foreign nationals with limited immigration status will not be entitled to Council Tax Reduction.

##### Financial implications of introducing this option

We do not currently have any foreign nationals with limited immigration status claiming Council Tax Reduction. We are not able to forecast the financial impact of introducing this option for 2017/18 because we cannot predict how many claims we are likely to receive from this category of claimant.

#### Option 9

##### Introduce a scheme to help claimants suffering exceptional financial hardship

This proposal would introduce a scheme that would give additional financial support to people who claim Council Tax Reduction but who still struggle to pay their Council Tax.

##### Impact of introducing this option

This option would give us greater flexibility to target support to those most in need and it would provide a safety net for those households suffering exceptional financial hardship. It would be a targeted scheme that could be adapted to meet individual circumstances

## **Financial implications of introducing this option**

We are not able to forecast how many claimants will need additional financial support due to exceptional hardship but we do know there will be some additional costs if this scheme is introduced.

## **Are there any alternatives to reducing the amount of help provided by the Local Council Tax Reduction Scheme?**

We have thought about other ways to make savings so that we can maintain the level of financial support we currently provide through our Council Tax Reduction Scheme. These alternatives are detailed below and you are asked about them in our consultation questionnaire.

We will take your views into consideration before making a decision but our view at the moment is that we should not consider these alternatives for the reasons given.

The alternative options are:

### **1. Increase 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 having to pay more Council Tax.

In order to do this, we would need to hold a local referendum to ask residents to vote on whether or not they would support such an increase. This would be very expensive to do.

### **2. Find savings from cutting other Council services**

If we decide to protect the current Council Tax Reduction Scheme this will mean there is less money to deliver all the other services we provide.

### **3. Using the Council's reserves (savings)**

Using our reserves to protect the Council Tax Reduction Scheme would only be a short-term option. Once our reserves have been used they will no longer be available to support and invest in other Council services.

## **What do I do if I want more information?**

You can email us with any enquiries you may have to [LCTSconsultation@sevenoaks.gov.uk](mailto:LCTSconsultation@sevenoaks.gov.uk) (need to set up/confirm)