

## POLICY REVIEW AND DEVELOPMENT REPORT

<b>Type of Report:</b> Policy Development	<b>Portfolio(s):</b> Resources
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<b>Open report</b>	

**Date of meeting:** 18 July 2016

### **COUNCIL TAX SUPPORT SCHEME 2017/2018: AGREEMENT OF THE DRAFT SCHEME FOR CONSULTATION**

#### **1. Executive Summary**

The Council must agree a Council Tax Support (CTS) Scheme for its residents every year. This report outlines options for the CTS Scheme for 2017/2018 for the Panel to discuss. The agreed draft CTS Scheme will then be presented to Cabinet on 7 September 2016.

Council Tax Support (CTS) is a discount awarded to those on a low income to help towards the cost of their council tax bill. It is based on a person's household and income.

CTS for working age people is a locally decided discount and, whilst we are free to design any CTS scheme we wish, it is only for working age people and central government have prescribed certain criteria. Support for pensioners is still assessed and paid by us but under a national set of rules. We also have to meet the cost. We have to consult on our CTS scheme and agree a final scheme for each financial year by the preceding 31 January.

Central Government have specified certain criteria we must consider when designing our working age CTS scheme:

Vulnerable groups should be protected, including families with children  
Work incentives must be considered, in line with the aims of Universal Credit (UC)

As CTS is a discount it reduces the Council's taxbase. There is an equivalent reduction in the taxbase for Norfolk County Council and Norfolk's Police and Crime Commissioner. Our Revenue Support Grant contains an element of funding for CTS, although the amount is not specified.

The Panel is asked to discuss and recommend a draft CTS Scheme for 2017/2018 for Cabinet to agree in advance of the consultation period in September and October.

## **2. Issues**

The current CTS scheme has been in place since April 2013 with modifications made each year to reflect changes to Housing Benefit rules and wider welfare reforms. The principles of our current CTS scheme are shown at Appendix B. A full breakdown of our current caseload and the costs of the CTS scheme are shown at Appendix A.

There are issues with the current scheme, some unavoidable, as detailed below.

### Pension Age Claims

We are free to decide any CTS scheme for working age residents, subject to the parameters set by central government. However 53% of our caseload is people who are pension age and they account for 55% of the cost of the CTS scheme. They are paid based on the national CTS scheme, which is more generous than our working age CTS scheme, but we still have to meet the cost from our budgets. We have no power to change the criteria or the amount they are paid.

### Protected Groups

To ensure vulnerable groups are supported, people who meet certain criteria have their CTS calculated under the national, more generous CTS scheme. The Protected Groups are:

- Those who have reached the qualifying age for State Pension Credit
- Households with at least one child under the age of 5
- Those entitled to the Disability Premium as part of their needs calculation
- Those in receipt of Carer's Allowance
- Those in the ESA Support group

Those in a protected group account for 33% of all our CTS claims and 36% of the cost of the CTS scheme.

### Welfare Reform, Universal Credit and Housing Benefit Changes

Central Government continues to make ongoing changes to other welfare benefits. Universal Credit was introduced in this area in March 2016 and rules in the Housing Benefit scheme, which is calculated alongside CTS, are being updated to mirror rules in Universal Credit.

In order to support the Government's principles of welfare reform, and to keep the CTS scheme in line with other benefits customers are receiving, the changes and rules in Housing Benefit and Universal Credit need to be reflected in our working age CTS scheme.

### Budget

To ensure our CTS scheme is within budget and meets the projections in the Financial Plan, the scheme only allows working age people who are not in a protected group to claim up to 75% of their CTS entitlement, so they contribute the other 25%. This level of contribution is needed because of our high proportion of people who are pension age or in a protected group. Most other local authorities calculate CTS based on the gross weekly council tax liability so people then contribute a percentage of their weekly council tax bill. There are no options proposing changing this contribution as major changes to the Protected Groups would be needed to still meet the projections in the Financial Plan.

### Consultation

We must consult with those who could be affected by our CTS Scheme before we can agree a final scheme for 2017/2018. In previous years we have run a six week online consultation combined with press releases, social media alerts and direct contact with other organisations including Housing Associations and welfare advice providers. Unfortunately the response rates have been low, an issue which seems common to other local authorities as well.

### **3. Rationale for the Proposal:**

Three options are detailed below for a draft CTS scheme to take to a six week public consultation. We must agree a CTS scheme for 2017/2018 by 31 January 2017. We are free to agree any CTS scheme we wish, subject to the parameters set by central government. We must also have due regard for our equality and diversity duties.

### **4. Options Considered:**

#### **Option 1**

Do nothing and keep the existing CTS Scheme with no changes (Appendix B)

<b>Advantages</b>	<b>Disadvantages</b>	<b>Financial Implications</b>
Less change for the customer	Does not keep in line with welfare reform, Housing Benefit and Universal Credit changes.	Falls within the Financial Plan projections
No changes to the Protected Groups or Work Allowances	Scheme becomes more disparate and difficult for customers to relate to other benefits	
	Scheme becomes more complex for staff to administer	

#### **Option 2**

Keep the existing CTS Scheme but update to keep in line with other Welfare Reform changes (Appendix C)

<b>Advantages</b>	<b>Disadvantages</b>	<b>Financial Implications</b>
Administratively simpler as it is in line with other welfare benefits	Creates a disparity within our scheme as a restriction to two children is being introduced in other benefits. This will be included in this option but we are still taking income for children into account which may then be more unfair	Falls within the Financial Plan projections
Easier for customers to understand as the rules are the same as other benefits they may be receiving	Does not address any issues around Child Poverty	Less impact on the taxbase than the 'Do Nothing' option but still more expensive than Option 3
No changes to the Protected Groups or Work Allowances		

- **Option 3**

Keep the existing CTS scheme, updated to reflect wider welfare changes with amendments to treatment of income for children and the CTS calculation to make the scheme fairer and more in line with other CTS schemes (Appendix D)

<b>Advantages</b>	<b>Disadvantages</b>	<b>Financial Implications</b>
A fairer CTS scheme for the treatment of income for children and some customers will see a reduction in their council tax bill	Restricts allowances for children to two children only for non-protected groups (but in common with Universal Credit, Tax Credits and Housing Benefit)	Falls within the Financial Plan projections
Keeps CTS scheme in line with Welfare Reform	Some customers will see a slight increase in their council tax bill as CTS is based on their gross weekly council tax bill rather than their entitlement	Almost cost neutral - reduces the impact on the taxbase by 23 Band D properties
Simplifies the scheme by		

asking working age people to pay 25% of the weekly council tax bill, rather than their CTS entitlement		
No changes to the Protected Groups or Work Allowances		

## 5. Questions/issues for the Panel

Scheme Principles:

- Are you happy to keep the CTS scheme in line with welfare reform and in particular changes to Universal Credit and Housing Benefit?
- Do you agree that Child Benefit and Child Maintenance should not be taken into account as income?
- Should the 25% contribution be based on the weekly council tax rather than the weekly CTS entitlement?
- Is the flat rate, £10 deduction for non-household members fair and set at a reasonable level?
- Are the Work Incentives relevant?

Protected Groups:

- Do you agree with the current protected groups?
- Are there any groups that should not be protected?
- Are there any other groups that should be protected?

Consultation:

- What methods of consultation would you like to see?

## 6. Preferred option

Option 3 is the recommended option. The proposal keeps our CTS scheme in line with welfare reform changes and other benefits people are receiving. It addresses the issue of including income for children as part of the assessment, which is particularly relevant with the restriction to two children when calculating CTS. It also resolves the difference with the calculation of CTS where neighbouring authorities are

Option 3 also retains the Protected Groups, Work Incentives and the local disregard for income from War Pensions.

The scheme also falls within the forecasts in the Financial Plan 2015/2020 and makes a small overall saving for us and the Council Tax preceptors.

## 7. Policy Implications

Changing the CTS scheme is an update to Council policy. The draft scheme must be approved by Cabinet before going to a public consultation. Results of the consultation are fed into the final CTS scheme before it is taken back to be approved by Cabinet and Council before 31 January 2017.

## **8. Financial Implications**

The overall cost of our CTS scheme in 2016/2017 is £9.247m. This cost is split between the council tax preceptors according to their share of the council tax.

For 2016/2017 the shares are:

Norfolk County Council	76%
Norfolk Police and Crime Commissioner	14%
Borough Council	10%

CTS is a discount and reduces the taxbase in the same way as other discounts. This year is equivalent to a reduction of 5,889 band D properties.

Effectively every £100 of CTS awarded costs us £10. Our share of the cost of CTS is met from our budgets, reflected through a reduction in the taxbase.

## **9. Equality Impact Assessment (EIA)**

A pre-screening EIA is included. A full EIA will be prepared for the Cabinet Report.

## **10. Risk Management Implications**

The CTS scheme for 2017/2018 is designed to meet the taxbase projections as detailed in the Financial Plan 2015/2020. However any increases in demand, changes in the composition of the caseload, for example an increase in the number of pension age claimants, or changes to other welfare benefits during the year, could represent a financial risk by increasing the cost of the CTS scheme and reducing the taxbase further. The impact of the CTS scheme is, and will continue to be, reviewed monthly.

## **11. Declarations of Interest / Dispensations Granted**

None

## **12. Background Papers**

None

# Pre-Screening Equality Impact Assessment

Borough Council of  
King's Lynn &  
West Norfolk



Name of policy	Council Tax Support Scheme 2017/2018				
Is this a new or existing policy/ service/function?	Update to existing Policy				
Brief summary/description of the main aims of the policy/service/function being screened.  Please state if this policy/service rigidly constrained by statutory obligations	Council Tax Support is a discount given to residents on a low income. The Council is free to agree its own local scheme for the discount for working age people				
<b>Question</b>	<b>Answer</b>				
<p>1. Is there any reason to believe that the policy/service/function could have a specific impact on people from one or more of the following groups <b>according to their different protected characteristic</b>, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>		Positive	Negative	Neutral	Unsure
	Age	✓			
	Disability	✓			
	Gender			✓	
	Gender Re-assignment			✓	
	Marriage/civil partnership			✓	
	Pregnancy & maternity			✓	
	Race			✓	
	Religion or belief			✓	
	Sexual orientation			✓	
	Other - low income, large families	✓	✓		
<b>Question</b>	<b>Answer</b>	<b>Comments</b>			
2. Is the proposed policy/service likely to affect relations between certain equality communities or to damage relations between the equality communities and the Council, for example because it is seen as favouring a particular community or denying opportunities to another?	No				
3. Could this policy/service be perceived as impacting on communities differently?	No				
4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?	Yes	There are protections for those who have a disability, caring responsibilities, children under 5 or are pension age			
<p>5. Are any impacts identified above minor and if so, can these be eliminated or reduced by minor actions? If yes, please agree actions with a member of the Corporate Equalities Working Group and list agreed actions in the comments section</p>	No	<p><b>Actions:</b> A full EIA will accompany the Cabinet Report recommending the draft CTS scheme for 2017/2018</p>			
		<p><b>Actions agreed by EWG member:</b> .....</p>			
<p><b>Assessment completed by:</b> <b>Name</b> Jo Stanton</p>					

<b>Job title</b> Revenues and Benefits Manager	<b>Date</b> 7 July 2016
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**Please Note: If there are any positive or negative impacts identified in question 1, or there any 'yes' responses to questions 2 – 4 a full impact assessment will be required.**



## Appendix A: Current CTS Figures for 2016/2017

	Number of Claims	%	Cost £m
Total Caseload	11,214		£9.247
Pension Age Claims	5,967	53%	£5.104
Working Age Claims	5,247	47%	£4.143
Working Age Breakdown:			
Working Age Not Protected	1,525	29%	£0.835
Working Age Protected	3,722	71%	£3.308
<u>Protected Claims:</u>			
Total	3,722		
Child < 5	1,151	31%	£0.963
Disability Premium	1,690	45%	£1.565
Carer's Allowance	177	5%	£0.166
ESA Support	162	4%	£0.136
Override	236	6%	£0.200
Multiple Reasons	306	8%	£0.277
<u>Incentives:</u>			
Extra Earnings Disregard	1,430		£0.075
<u>Local Disregards:</u>			
War Pensions	24		£0.015

## Appendix B: Our Current Council Tax Support Scheme

Whilst we are free to design any CTS scheme we wish, it is only for working age people. Support for pensioners is still assessed by us but under a national set of rules, although we have to meet the cost.

Government have specified certain criteria we must also consider when designing a CTS scheme:

- Vulnerable groups should be protected, including families with children
- Work incentives must be promoted in line with the aims of Universal Credit (UC)

Our current CTS scheme assesses people's income against an allowed amount, called an 'applicable amount'. If their income is less than the applicable amount they receive full CTS, subject to a 25% contribution if they are working age and not in a protected group. If it is more than the applicable amount their CTS is reduced by 20p for every extra £1.

Our current CTS Scheme Principle: An equal cut is made to everyone apart from those in a protected group.

The key points are:

- Working Age people only receive 75% of their weekly CTS amount
- Child Benefit and Child Maintenance are included as income
- Second Adult Rebate is removed
- A weekly deduction for each non-dependent of £10 is made regardless of their income
- The maximum amount of Capital allowed is £6,000
- No Tariff Income is assumed for capital under £6,000
- Self Employed people are assumed to have an income of at least the minimum wage

To fulfil the requirement to consider vulnerable groups, CTS will be paid based on the national, more generous scheme for the following groups:

- Those who have reached the qualifying age for State Pension Credit
- Households with at least one child under the age of 5
- Those entitled to the Disability Premium as part of their needs calculation
- Those in receipt of Carer's Allowance
- Those in the ESA Support group

The CTS scheme also includes incentives to find work. People are allowed to keep an extra £10 (above the national limit) before their CTS is affected. This is known as a disregard and the amounts are:

- |                       |     |
|-----------------------|-----|
| • Single              | £15 |
| • Couple              | £20 |
| • Disabled or a Carer | £30 |

- Lone Parent £35

We also have a local income disregard as below:

- War Pensions will be fully disregarded in the income calculation

## Appendix C: Alternative CTS Scheme 1

Changes shown in red

Our current CTS Scheme Principle: An equal cut is made to everyone apart from those in a protected group.

The key points are:

- Working Age people only receive 75% of their weekly CTS amount
- Child Benefit and Child Maintenance are included as income
- Second Adult Rebate is removed
- A weekly deduction for each non-dependent of £10 is made regardless of their income
- The maximum amount of Capital allowed is £6,000
- No Tariff Income is assumed for capital under £6,000
- Self Employed people are assumed to have an income of at least the minimum wage
- Allowances restricted to the first two children only
- CTS restricted for people who are abroad for 4 weeks or more

To fulfil the requirement to consider vulnerable groups, CTS will be paid based on the national, more generous scheme for the following groups:

- Those who have reached the qualifying age for State Pension Credit
- Households with at least one child under the age of 5
- Those entitled to the Disability Premium as part of their needs calculation
- Those in receipt of Carer's Allowance
- Those in the ESA Support group

The CTS scheme also includes incentives to find work. People are allowed to keep an extra £10 (above the national limit) before their CTS is affected. This is known as a disregard and the amounts are:

- |                       |     |
|-----------------------|-----|
| • Single              | £15 |
| • Couple              | £20 |
| • Disabled or a Carer | £30 |
| • Lone Parent         | £35 |

We also have a local income disregard as below:

- War Pensions will be fully disregarded in the income calculation

## Appendix D: Alternative CTS Scheme 2

Changes shown in red

Our current CTS Scheme Principle: An equal cut is made to everyone apart from those in a protected group.

The key points are:

- Working Age people have to pay 25% of their gross weekly council tax
- Child Benefit and Child Maintenance are not included as income
- Second Adult Rebate is removed
- A weekly deduction for each non-dependent of £10 is made regardless of their income
- The maximum amount of Capital allowed is £6,000
- No Tariff Income is assumed for capital under £6,000
- Self Employed people are assumed to have an income of at least the minimum wage
- Allowances restricted to the first two children only
- CTS restricted for people who are abroad for 4 weeks or more

To fulfil the requirement to consider vulnerable groups, CTS will be paid based on the national, more generous scheme for the following groups:

- Those who have reached the qualifying age for State Pension Credit
- Households with at least one child under the age of 5
- Those entitled to the Disability Premium as part of their needs calculation
- Those in receipt of Carer's Allowance
- Those in the ESA Support group

The CTS scheme also includes incentives to find work. People are allowed to keep an extra £10 (above the national limit) before their CTS is affected. This is known as a disregard and the amounts are:

- |                       |     |
|-----------------------|-----|
| • Single              | £15 |
| • Couple              | £20 |
| • Disabled or a Carer | £30 |
| • Lone Parent         | £35 |

We also have a local income disregard as below:

- War Pensions will be fully disregarded in the income calculation