**2017/18 Council Tax Reduction Scheme – Background information and proposals for change**

Before 1 April 2013 Council Tax payers who were on low incomes could apply for Council Tax Benefit (CTB) to help pay their Council Tax. Under this national scheme, Council Tax payers could receive benefit of up to 100% of their Council Tax. At that time, the Council received full funding from the Government for all correct Council Tax Benefit awards.

Changes introduced by the Government abolished the Council Tax Benefit scheme from 1 April 2013 and made local authorities 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.

**The scheme for Pension Age applicants is set by Government and is not affected by any of the options set out in this consultation.**

**Richmond’s Council Tax Reduction Scheme.**

When we set up our Council Tax Reduction scheme we decided to protect the most vulnerable[[1]](#footnote-1) low income households. Currently under Richmond’s scheme non-vulnerable working age households with a low income can receive a reduction of up to 95% of their Council Tax liability but this depends on things like their income, savings and the size of the household.

As part of our scheme other adults living in a household are expected to make a reasonable contribution towards the Council Tax based on their circumstances.

Since April 2014 households living in band F, G or H properties have their reduction limited to the level of Band E Council Tax.

**Reasons for change**

Decisions about changes to our Council Tax scheme need to be considered alongside the wider challenges being faced by local authorities. In 2017/18, the money we get from the Government to support our services will be substantially reduced so we need to look at how we deal with this gap in funding. The Council is set to lose 66% of its Government funding over 4 years. This amounts to some £30m.

This means that the Council has to look at ways of dealing with these financial pressures. We have identified five options

* To make changes to the way we work out how much Council Tax Reduction households are entitled to. This will recover some of the loss of Government funding by lowering some households’ entitlement.
* To fund the Council Tax Reduction scheme by increasing the Council Tax or by raising income from other services.
* To fund the Council Tax Reduction scheme by reducing expenditure on other services
* To fund the Council Tax Reduction scheme by using money from our reserves.
* A combination of the above

**Our preferred option**

Our preferred option is to make some changes to the way we calculate Council Tax Reduction which will cover only a very small part of the loss (7%) in Government funding over the 4 year period.

**Why is it our preferred option?**

The Council is facing unprecedented reductions in its Government funding. Having already found £30m in efficiencies over the last 4 years the Council has had to make difficult decisions about how best to cope with further cuts in Government support whilst trying to safeguard services.

Other Council Tax payers absorbed the 10% cut in Government grant which came with the localisation of Council Tax Benefit and most of the impact on the scheme of cuts in general grant. Since the local scheme started, we have limited the maximum CTR to the level of Band E Council and implemented a minimum contribution of 5% of Council Tax liability. The estimated level of Council subsidy for the CTR scheme has risen from £1.5m to £2.9m per year. Further cuts in Government support could lead to this subsidy rising to an estimated £6.0m by 2019/20. Richmond’s CTR scheme is amongst the most generous schemes in London.

We believe that the CTR scheme should broadly reflect the intentions of the Governments Welfare Reforms and not act as a replacement for reductions elsewhere. We also believe that it is reasonable, given the increasing costs of the scheme, to ask Working Age claimants to make a contribution.

**Comments on the other options**

Raising Council Tax might seem like an easy option. The Council is allowed to increase the Council Tax by only 1.99% over and above any increase relating to Adult Social Care without a referendum. Such an increase is already built into the Council’s forward financial plans. There would also be pressure from all other service areas to do the same thing. Richmond’s element of the Council Tax was increased by 1.48% in April 2016.

The Council has increased fees for most of its services by more than inflation for a number of years placing additional costs on those service users. The Council does not think that it is reasonable to load further pressure on to those charges and there is also a risk that if prices rise too much, then demand and income could actually fall.

Use of reserves can only be a short term solution to any funding issue. Once they are used, alternative funding has to be found. Use of reserves is, at best, a way to postpone making the difficult decisions required. Our reserves are already amongst the lowest in London and other than a small safety net are earmarked for other purposes.

**Changes we are proposing**

**None of the changes we are proposing would affect Pensioners**

### All working age residents eligible for Council Tax Reduction who are not treated as vulnerable should be required to pay a minimum of 15% of their Council Tax themselves.

**The benefits of this are:**

* **It will contribute to the savings that Richmond Council is required to make in 2017/18.**

**The drawbacks of this are:**

* There may be additional collection issues and costs for the Council;
* This measure will not meet all of the savings the Council needs to make so other Council Tax payers will continue to meet the bulk of the loss of Government funding for the scheme, some 93% of the total.
* Households with limited incomes will have to pay more Council Tax.
* Households that have been affected by Government Welfare Reforms will have less money to use to pay their Council Tax.

**Examples of the impact of increasing the minimum percentage payment from 5% to 15%**

When working out whether someone qualifies for help through our CTRS, we first calculate their “applicable amount” (see Definitions below).

Next, we calculate their income and, in the case of couples, that of any partner. We also apply any relevant “disregards” (see Definitions below)

If the income after applying any “disregards” is below their applicable amount, then the applicant can receive maximum help (85% of their Council Tax Bill, or the equivalent of Band E if the applicant lives in a Band F, G or H property). However, if there are any additional adults living in the household, a “non-dependant” deduction (see Definitions below) may be applied.

If the income after applying any “disregards” is above their needs (applicable amount) the maximum award will be reduced by 20 pence for every £1 excess income (this percentage reduction is called a taper i.e. a 20% ‘taper’). We then make any deductions for non-dependants where applicable (see Definitions below).

Below is an example to illustrate how the CTRS is currently calculated for a couple with 2 children and how the proposed change will affect them (increase of £3.03 per week):

|  |  |  |
| --- | --- | --- |
|  | **Weekly calculation 2016/17**  **5% minimum** | **Proposed weekly calculation @ 15% minimum** |
| ***Applicable amount calculated as:*** |  |  |
| *Couple, at least one member of the couple over 18 (both under pension age)* | £111.45 | £111.45 |
| *Child 1* | £64.99 | £64.99 |
| *Child 2* | £64.99 | £64.99 |
| *Family Premium* | £17.40 | £17.40 |
| ***Applicable Amount*** | **£258.83** | **£258.83** |
| ***The applicable amount is compared against the income as follows:*** |  |  |
| *Earned income (net) and after applying the couples earnings disregards of £20.00 and the additional earnings disregard of £17.10* | £263.00 | £263.00 |
| *Excess income (difference between applicable*  *amount – Needs Allowance – and earned income).* | £4.17 | £4.17 |
| *20% taper (£4.17 x 20%)* | £0.83 | £0.83 |
| *Band D property weekly Council Tax liability Full Charge* | £30.35 | £30.35 |
| *Maximum Council Tax Reduction* | £28.83(95%) | £25.80(85%) |
| *Minimum Payment* | £1.52 | £4.55 |
| *Weekly Council Tax to pay* | £1.52 | £4.55 |

This example looks at the impact on a single parent with 2 children currently receiving full Council Tax Reduction (increase of £3.03 per week):

|  |  |  |
| --- | --- | --- |
|  | **Weekly calculation 2016/17**  **5% minimum** | **Proposed weekly calculation @ 15% minimum** |
| ***Applicable amount calculated as:*** |  |  |
| *Lone Parent* | £71.00 | £71.00 |
| *Child 1* | £64.99 | £64.99 |
| *Child 2* | £64.99 | £64.99 |
| *Family Premium* | £17.40 | £17.40 |
| ***Applicable Amount*** | **£218.38** | **£218.38** |
| ***The applicable amount is compared against the income as follows:*** |  |  |
| *Earned income (net) and after applying the lone parents earnings disregards of £30.00 and the additional earnings disregard of £17.10* | £200.00 | £200.00 |
| *Excess income (difference between applicable*  *amount – Needs Allowance – and earned income).* | Nil | Nil |
| *20% taper* | Nil | Nil |
| *Band D property weekly Council Tax liability Full Charge* | £30.35 | £30.35 |
| *Maximum Council Tax Reduction* | £28.83 (95%) | £27.31(85%) |
| *Minimum Payment* | £1.52 | £4.55 |
| *Weekly Council Tax to pay* | £1.52 | £4.55 |

*Applicable Amount allowance*

This example looks at the impact on a single parent with 2 children already paying towards their Council Tax (increase of £3.03 per week):

|  |  |  |
| --- | --- | --- |
|  | **Weekly calculation 2015/16**  **5% minimum** | **Proposed weekly calculation @ 15% minimum** |
| ***Applicable amount calculated as:*** |  |  |
| *Lone Parent* | £71.00 | £71.00 |
| *Child 1* | £64.99 | £64.99 |
| *Child 2* | £64.99 | £64.99 |
| *Family Premium* | £17.40 | £17.40 |
| ***Applicable Amount*** | **£218.38** | **£218.38** |
| ***The applicable amount is compared against the income as follows:*** |  |  |
| *Earned income (net) and after applying the couples earnings disregards of £20.00 and the additional earnings disregard of £17.10* | £324.35 | £324.35 |
| *Excess income (difference between applicable*  *amount – Needs Allowance – and earned income).* | £105.97 | £105.97 |
| *20% taper* | £21.19 | £21.19 |
| *Band D property weekly Council Tax liability Full charge* | £30.35 | £30.35 |
| *Maximum Council Tax Reduction* | £28.83 (95%) | £27.31(85%) |
| *Minimum Payment* | £1.52 | £4.55 |
| *Weekly Council Tax to pay* | £22.71 | £25.74 |

**Definitions**

Applicable amount – The applicable amount is the amount of money the Council believes an applicant and partner and his or her dependents need to have in order to live. This figure varies depending on the claimant’s personal circumstances (i.e. age and whether they are single or living with a partner). Additional needs are added for each child in the household and members of the household who are disabled or carers. These additional needs are called allowances and premiums in the CTRS. These figures are unchanged since April 2012.

Non-dependant – In broad terms a non-dependant is a grown-up son, daughter, friend or relative who lives in the claimant’s home. The calculation of Council Tax Reduction assumes they will contribute to the household expenses and therefore a non-dependant deduction is taken into account when calculating a claimant’s entitlement to Council Tax Reduction.

Earnings Disregards – Some earned income can be disregarded for the purposes of calculating income. The amount of the disregard depends on the circumstances of the applicant

Vulnerable claimant *–* people who receive certain disability related benefits included in their assessment of their entitlement to CTRS will qualify as vulnerable. The definition of vulnerable is not changing.

1. **Reducing the period for which a person can be absent from Great Britain**

Within the current scheme, working age applicants can be temporarily absent from their homes without it affecting their Council Tax Reduction. This replicated the rule within Housing Benefit. Housing Benefit has been changed from July 2016 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 change in Housing Benefit. There will be exceptions for certain absences for example ill health, bereavement or domestic violence.

**The benefits of this are:**

* The treatment of temporary absence will be brought into line with Housing Benefit which will make it easier to understand and administer.

**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 their return

1. **Removing the Family Premium for all new working age applicants**

Within the current scheme, a family premium is normally given when a working age applicant has at least one dependent child living with them. This premium forms part of their applicable amount and is currently £17.40 per week. It is proposed to remove the family premium for new claims from 1 April 2017 to bring the Council Tax Reduction Scheme in line with Housing Benefit and the pensioner scheme for CTRS. 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 and the pensioner scheme for CTRS, which will make it easier to understand and administer.

**The drawbacks of this are:**

* New working age applicants may see a reduction in the amount of support they receive.
* Some households with children will pay more

1. **To limit the number of dependent children taken into consideration for Council Tax Reduction to a maximum of two (This would not affect existing applicants with 2 or more children unless they had an additional child)**

Within the current scheme, applicants who have dependent children living with them are normally awarded a dependant’s addition of £64.99 per child within their applicable amount. There is no limit to the number of dependant’s additions that can be awarded. From April 2017 Central Government has announced plans to limit dependant’s additions in Universal Credit, Housing Benefit and Tax Credits to a maximum of two from April 2017. This will only affect households who have a third or subsequent child on or after 1 April 2017. It is proposed that the Council’s Council Tax Reduction Scheme is amended in line with the changes in Housing Benefit and Central Government Benefits once the detailed regulations are in place.

**The benefits of this are:**

* Council Tax Reduction will be brought into line with Housing Benefit, Universal Credit and Tax Credits and the Pensioner CTRS scheme which will make it easier to administer.

**The drawback of this is:**

* Applicants who have a third or subsequent child after 1 April 2017 (and are not exempt from the rules) may receive less Council Tax Reduction than an applicant who has more children born before 1 April 2017

**Consultation**

The Council is required to formally adopt a Council Tax Reduction scheme by 31 January each year to start on 1 April of that year and to consult on any changes to the scheme.

This consultation is about our proposals for changes to the scheme for 2017/18 and we want your views on these to help us make final decisions.

We are keen to ensure that all Council Tax payers are aware of the changes we have proposed. The Council recognises that any changes will affect some of its residents and wants to get a full range of views on the proposed changes to our local Council Tax Reduction Scheme.

We will be seeking the views of:

• Existing Council Tax Reduction Discount applicants who may be affected by the proposals

• Advocacy / welfare groups

• Council Tax payers

• Partner organisations which may be affected indirectly such as Richmond Housing Partnership

**How are we consulting?**

Given the wide range of residents and groups that we want to consult with, a number of consultation methods are being used:

* Online consultation
* Writing directly to those working age households currently receiving Council Tax Reduction who might be affected to invite them to complete the consultation.

We will also be seeking the views of:

* Advocacy / welfare groups
* Council Tax payers
* Partner organisations which may be affected indirectly such as Richmond Housing Partnership

Whilst the Council recognises that these proposals may affect an individual’s finances it is unable to engage in discussion of individual cases as part of this consultation.

**Consultation Question**

We would like your views on our proposals. For each of the proposals above we want to know if you think that

* We should go ahead with the change = Yes
* We should not go ahead with the change =No
* You don’t know = Don’t know

There is also an opportunity for you tell us anything else you think we should consider when making our final decision.

**Please submit your completed survey by midnight on the 24 December 2016 when the survey closes.**

To see a copy of the proposal report, please follow the following link

[**www.richmond.gov.uk/home/council\_government\_and\_democracy/democratic\_processes\_and\_events/calendar\_of\_meetings**](http://www.richmond.gov.uk/home/council_government_and_democracy/democratic_processes_and_events/calendar_of_meetings.htm)

On the timetable, click on the Cabinet Meeting for 17th November. The report forms part of the Agenda reports pack.

Timetable

Cabinet agrees to consult on draft scheme changes 17 November 2016

Consultation to run until 24 December 2016

Final decision on scheme 17 January 2017

**Translation advice**

If you have difficulty understanding this document, please visit the Council's reception at the Civic Centre, Twickenham TW1 3AA, where we can arrange a telephone interpreting service.



Please contact us if you need this leaflet in Braille, large print, on audio tape or in another language. Phone: 0208 891 1411 or Minicom: 020 8831 6001.

1. For the purposes of the Council Tax Reduction Scheme, vulnerable claimants are defined as those in receipt of disability related benefits including Disability Living Allowance / Personal Independence Payments, Carers Allowance etc. [↑](#footnote-ref-1)