

Review of Council Tax Reduction Scheme – Options

	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)	<p>Would be easier to administer and collect but severely exacerbates funding issues.</p> <p>Does not meet objective of cost savings and there may be divergence with HB system as above unless this is addressed.</p> <p>Over 70 authorities nationally still allow up to 100% support for working age claimants.</p> <p>Major preceptors would not support this option.</p>	✗
3	Total Income Discount (Banded) Scheme	<p>Calculate total income of applicant and partner (where applicable) and put in an income 'band'. Bands to be determined.</p> <p>Would make it simpler from claimants point of view, and there could be less ongoing changes to entitlement. Cliff edges where benefit drops off as band changes.</p> <p>Currently no authority has a similar scheme in operation.</p> <p>Would require additional information to be gathered from claimants.</p> <p>Would need to pay for software changes (could be expensive).</p>	✗
4	Passported and Income Discount (Banded) Scheme	<p>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.</p> <p>Only one scheme like this in operation nationally.</p> <p>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.</p>	✗
5	Simplified Means Test leading to a Discount Band	<p>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.</p> <p>Unclear whether software can be adapted. If it can, likely to be costly.</p> <p>No other council running this scheme.</p>	✗

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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.</p> <p>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 changes:		
A	Increase the minimum % payable	<p>MBC currently requires working age claimants to pay a minimum of 13% 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 (and possibly nationally) 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% (estimated saving £363,000)</p>	✓
B	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 MBC.</p> <p>Consider option of removing Second Adult Rebate (estimated saving £16,000)</p>	✓

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C	Restrict to the equivalent to a Band D	<p>The current Council Tax Reduction scheme uses the full amount of Council Tax charge irrespective of the band of the property. There are 8 bands (A-H) with Band D being the national average. It is proposed that where an applicant lives in a property in band E-H then the Council Tax Reduction will be calculated on the basis of a band D charge.</p> <p>Consider option of limiting to Band D (estimated saving £76,000)</p>	<p style="text-align: center;">✓</p>
D	Reduce Capital limit	<p>Currently claimants are allowed to have capital (excluding property in which they reside) 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. Will have the effect of removing the entitlement of some claimants.</p> <p>Consider option of reducing capital limit to £6,000 (estimated saving £37,000)</p>	<p style="text-align: center;">✓</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.</p> <p>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 maintenance payments in the assessment of income. (estimated saving £61,000)</p>	<p style="text-align: center;">✓ (child maintenance only)</p>

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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 rate is £10 per week.</p> <p>Consider option of introducing a standard deduction of £10 per week for non-dependants. (estimated saving £74,000)</p>	✓
G	Introduce Minimum income floor for self-employed claimants	<p>Currently self-employed claimants are asked to declare their own level of income, with many claimants declaring nil (or close to nil) after taking into account expenses. Claims are difficult to administer and challenging self-declared income levels can be protracted, time consuming and difficult to evidence.</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 multiplied by 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 based upon the living wage at 35 hours per week for full time or 16 hours a week for part-time workers. (estimated saving £250,000)</p>	✓
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, a reduction in the period that claims can be backdated and changes to entitlement when absent from the UK.</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>	✓

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		Changes would apply to new claimants from April 2017.	
I	Change income tapers to incentivise work	The current taper (withdrawal rate) for assessing CTR claims is 20%, consistent with the previous CTB scheme. Increasing the percentage would act as a disincentive to take employment or work more hours.	X