

## PLYMOUTH CITY COUNCIL

<b>Subject:</b>	Council Tax Support Scheme
<b>Committee:</b>	Select Committee Review
<b>Date:</b>	30 November 2016
<b>Cabinet Member:</b>	Councillor Downie
<b>CMT Member:</b>	Lesa Annear (Strategic Director for Transformation and Change)
<b>Author:</b>	Emma Rose (Strategic Development Manager, Customer Services)
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<b>Ref:</b>	
<b>Key Decision:</b>	Yes
<b>Part:</b>	I

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### **Purpose of the report:**

To consider the findings of the Council Tax Support Scheme consultation to inform the development of the new scheme and explore the impact on Plymouth residents of proposed changes

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### **The Corporate Plan 2016 - 19:**

The income generated from council tax contributes to the delivery of council, police and fire services. As such, it is an integral part of supporting the delivery of the Corporate Plan. Providing a council tax support scheme that supports our most financially vulnerable residents, contributes to our values of fairness and vision of being a caring organisation.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:**

The Council Tax Support Scheme impacts the amount of revenue that Plymouth City Council can collect, by reducing the liability for those eligible for support.

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### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

Changes to the scheme may change the level of financial support to families with children and impact on child poverty. This should be considered against a background of wider welfare reforms and also against the Plymouth child poverty action plan

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### **Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Yes (supplied as a "to follow")

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**Recommendations and Reasons for recommended action:**

The Scrutiny Select Committee is asked to –

1. consider the findings of the Council Tax Support Scheme consultation and how proposed options reflect comments provided by the public;
  2. explore the impact on Plymouth residents of the proposed changes to the local council tax support scheme;
  3. make recommendations for consideration by Cabinet.
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**Alternative options considered and rejected:**

Pre-decision scrutiny of the Council Tax Support Scheme was recommended by the Place and Corporate Overview and Scrutiny Committee.

Not considering the impact of the scheme would be contrary to the Terms of Reference of the Committee.

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**Published work / information:**

- 1.1 Plymouth Council Tax Support scheme  
<http://www.plymouth.gov.uk/sites/default/files/CouncilTaxSupportScheme20162017.pdf> .
- 1.2 Responsibilities on Local Authorities  
[Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) Regulations 2012](#)

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

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**Sign off:**

Fin	dn1617.45	Leg	26905/DVS	Mon Off	26905/DVS	H R		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **I. BACKGROUND**

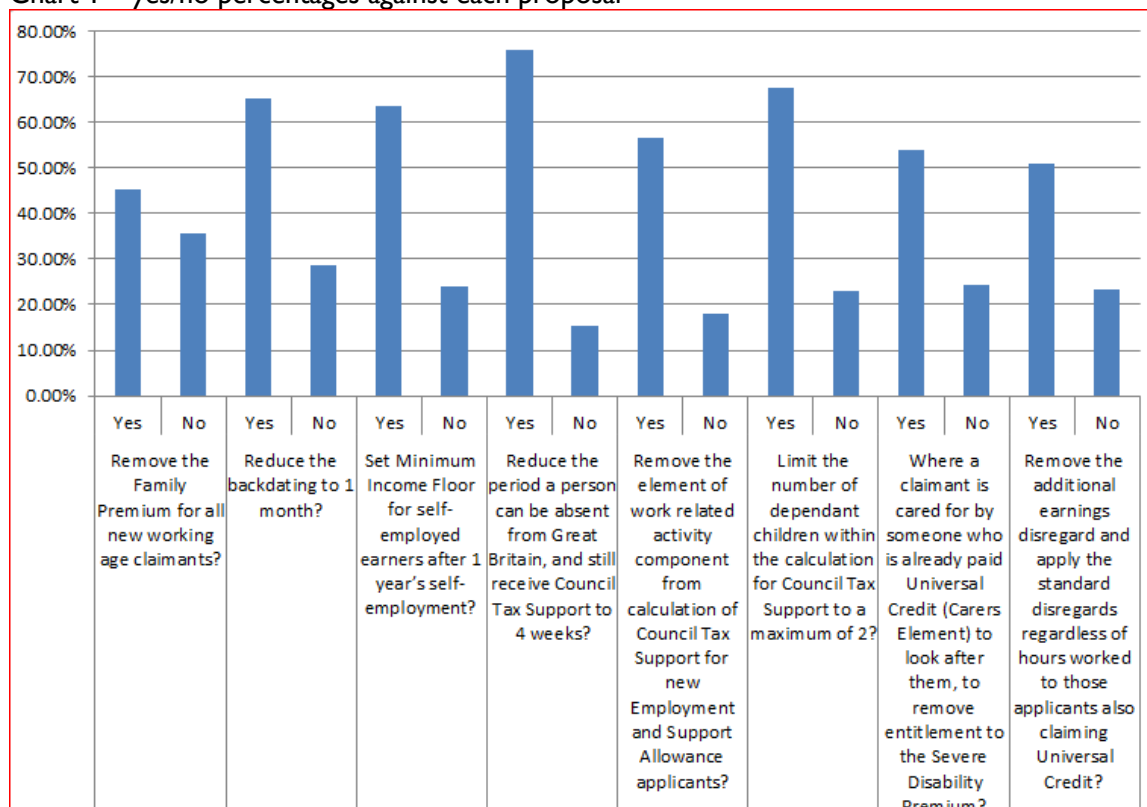
- 1.1 Each year local authorities must review how much reduction in Council Tax is given to people of working age on a low income. This is published as a council tax reduction scheme, also known as the council tax support (CTS) scheme. Plymouth City Council's current scheme is available on our website:  
<http://www.plymouth.gov.uk/sites/default/files/CouncilTaxSupportScheme20162017.pdf> .
- 1.2 The Devon Local Government Steering Group and Benefits Officers Groups worked together on proposals for CTS Schemes across the county. In April 2016 it was agreed that consultation would cover eight changes, effective from 1 April 2017, to bring the CTS schemes in line with the changes being made by central Government in Housing Benefit and Universal Credit. These changes are intended to encourage people into work and reduce the level of welfare benefits available to some. The 8 proposed changes are as follows (for additional information, please see Appendix A):
1. Removing the Family Premium for all new working age claimants
  2. Reducing backdating for new claims to one month
  3. To assume a set minimum income within the calculation of CTS for self-employed earners after a one year's self-employment
  4. Reducing the period a person can be absent from Great Britain and still receive CTS to four weeks
  5. To remove the work related activity component in the calculation of the current scheme for new Employment and Support claimants
  6. To limit the number of dependent children within the calculation for CTS to a maximum of two
  7. To remove entitlement to the Severe Disability Premium where someone with a disability is cared for by another person who receives Universal Credit with a Carer's Element
  8. To remove the additional earnings disregard and apply the standard earnings disregards regardless of hours worked to those claimants who receive Universal Credit
- 1.3 The proposed changes should make it easier for customers to understand the scheme, as there will be similar criteria in Housing Benefit and Universal Credit. Additionally, using the same criteria in the CTS scheme should make it simpler, more efficient and less costly to run.
- 1.4 The changes will affect working age households in Plymouth who receive or who apply for CTS on or after 1 April 2017. Each of the proposed changes may affect working age households claiming under the scheme in different ways. Households of state pension credit age have their scheme set by central Government so are not directly affected by our proposals.
- 1.5 An alternative option was to continue with the current scheme, however if the scheme is not aligned with Housing Benefit and Universal Credit then this could result in higher costs. This could mean less money available to deliver other vital council services.
- 1.6 No changes were consulted on to the maximum level of support that the scheme provides to working age claimants. This is currently set at a reduction of 80% of council tax liability, which is the same level as the majority of Devon local authorities.

## 2.0 Consultation Findings

1.1 The eight proposals were consulted on for 12 weeks between 7 July 2016 and 29 September 2016. There were a total of 273 responses to the online questionnaire which was available on Plymouth City Council's consultation portal. 200 of these were from current CTS customers.

The majority of respondents agree with all of the proposals, with seven of the eight proposals scoring higher than a 50% 'yes' rating.

Chart 1 – yes/no percentages against each proposal



1.2 Four of the proposals each received more than a 60% agreed rating, as well as being the proposals attracting the highest response rate:

- Proposal 2 to reduce backdating to 1 month (178 responses, **66% agreement**)
- Proposal 3 to set Minimum Income Floor for self-employed earners after 1 years self-employment (170 responses, **63% agreement**)  
32% of self-employed respondents agreed with Minimum Income Floor
- Proposal 4 to reduce the period a person can be absent from Great Britain, and still receive Council Tax Support to 4 weeks (204 responses, **76% agreement**)
- Proposal 6 to limit the number of dependent children to minimum of 2 within the Council Tax Support calculation (183 responses, **68% agreement**)  
67% of respondents stated there are no children in their household  
26% of those with children agreed with limiting the number of dependent children

1.3 Although the majority of respondents supported the introduction of all eight proposals, concerns were raised during consultation about the potential impact of two of the proposals on families with children.

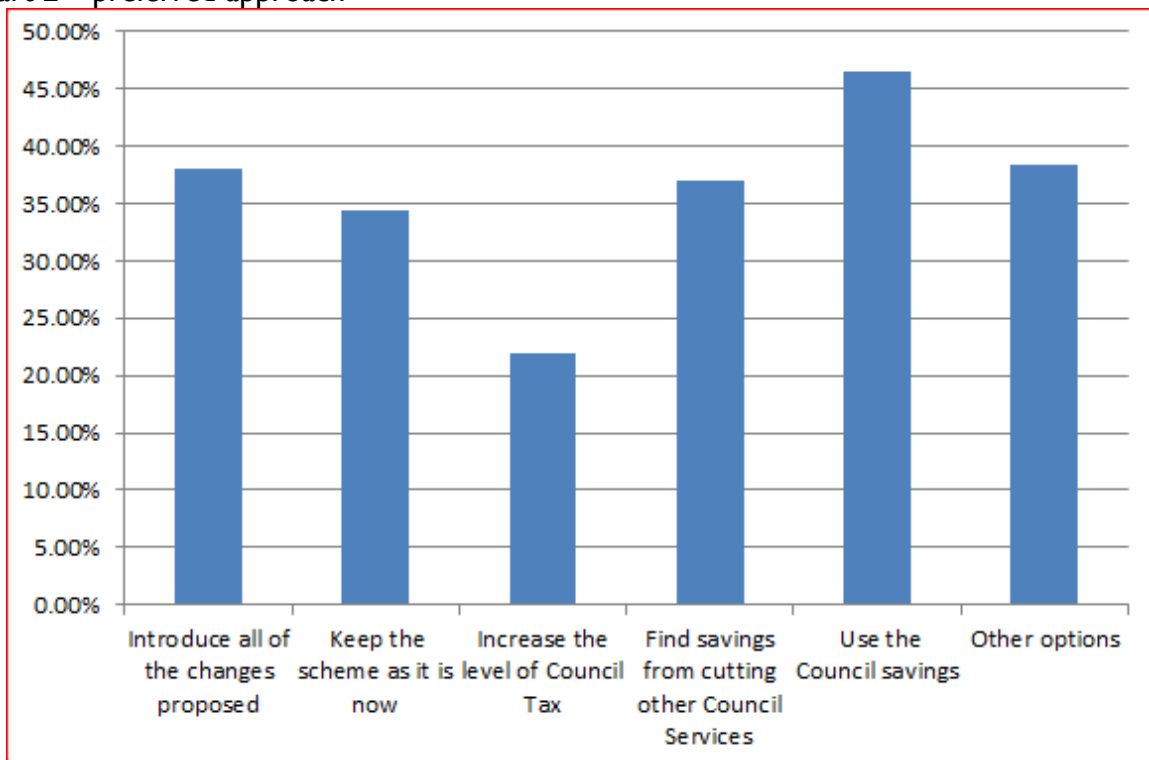
1. Removing the Family Premium for all new working age claimants and

6. To limit the number of dependent children within the calculation for CTS to a maximum of two

Implementing the above proposals may be in conflict with Plymouth's child poverty action plan, in particular the priority to support families on low incomes.

1.4 In addition to the eight proposals, we asked what customers for their preferred approach. Most expressed a preference to fund the scheme as it is, either by using council savings or by cutting other council services. The graph below highlights the scoring percentage for each individual option.

Chart 2 – preferred approach



### 3.0 Profile

1.1 We currently support 23,706 CTS claimants. Of that figure:

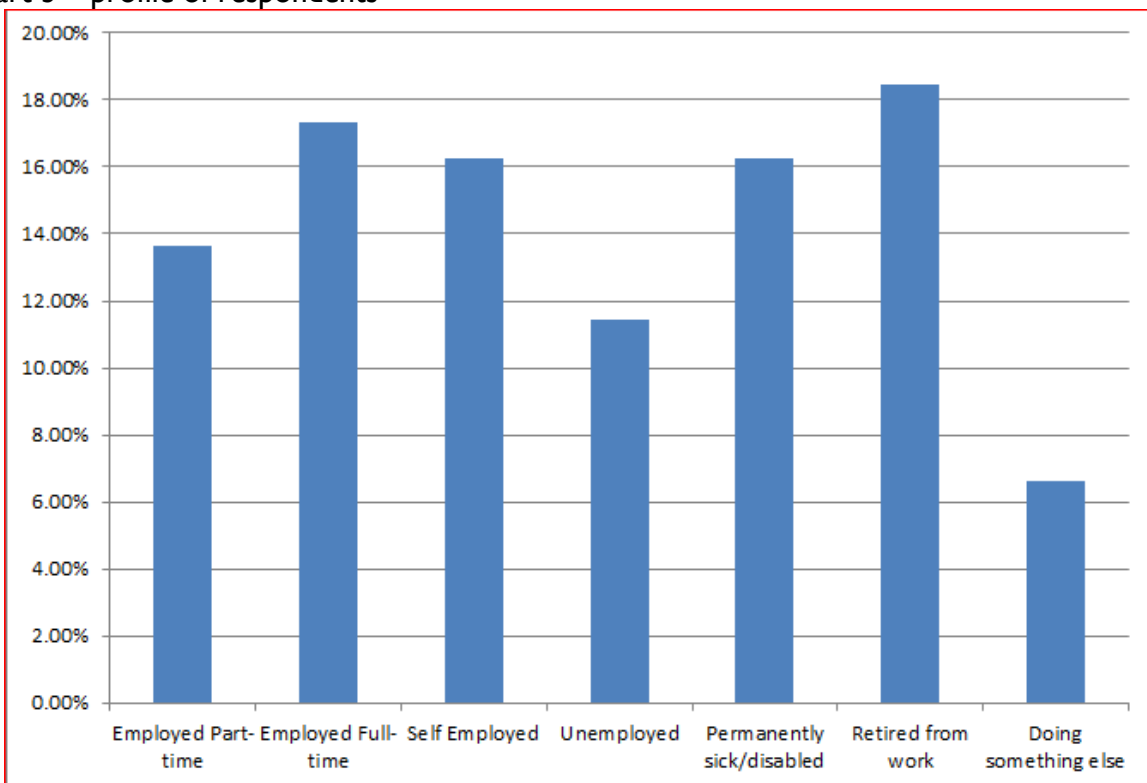
- 9,343 are pensioners
- 14,363 are of working age
- 5,621 households include one or more children
- 1,382 households include three or more children

1.2 The majority (78%) of all households with children are receiving 75 – 80% relief regardless of the number of children in the household.

1.3 Of those responding to the consultation:

- 26% of those with children agreed with limiting the number of dependent children
- 42% of have children in the household
- 32% of self-employed respondents agreed with Minimum Income Floor
- 22% of CTS recipients agreed with introducing all of the proposals
- 42% of employed respondents are in receipt of CTS
- 84% of permanently sick/disabled respondents are in receipt of CTS (all of the permanently sick/disabled respondents fall in the working age bracket)

Chart 3 – profile of respondents



## 4.0 OPTIONS

The following options are available for the 2017/18 scheme. Options not already consulted on cannot be considered for next year's scheme, but could be further investigated and consulted on for future years.

**Option 1** – Remove the proposals relating to families with children (removal of the family premium and limit on number of dependent children taken into account) and implement the remaining six

- a. Benefits – supports children in line with child poverty action plan and would allow flexibility to mitigate any differential impact identified by an EIA.
- b. Disadvantages – departs from assessment processes for other benefits, so would change the CTS assessment process making it less efficient and requiring more resources to administer. This would increase costs for the council at the point of CTS assessment. Although difficult to model, if every other aspect of entitlement is the same, additional children make little difference to the level of CTS awarded and the majority of all families with children current receive 75 – 80% relief. Non-collection rate may rise.

**Option 2** – No change from current scheme

- a. Benefits – protects most vulnerable from further cuts, no compromise with child poverty action plan and potential Equality Act related impacts
- b. Inconsistent with the Devon Chief Finance Officers recommendations and with the majority of Devon authorities. Generates no savings and will become more costly over time as the assessment frameworks become more different. Would not align with new benefits schemes

**Option 3** - Implement the 8 changes consulted on

- a. Benefits – consistent with the Devon Chief Finance Officers recommendations and with the majority of Devon authorities. Aligns the assessment of CTS with the new benefits schemes (housing benefit and universal credit in particular).
- b. Disadvantages – has minimal financial impact and many of the options are extremely difficult to model. May compromise the child poverty action plan and potential Equality Act related impacts, although the changes under consultation mirror national changes that have already been assessed and agreed.

## Appendix A- Proposals and effects

### Proposal 1 – Removing the Family Premium for all new working age claimants

The removal of Family Premium from 1st April 2017 for **new** claims will bring the Council Tax Support scheme in line with Housing Benefit.

The Family Premium is part of how we assess the 'needs' (Applicable Amounts) of any claimant 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.

#### What does this change mean?

- It brings the working age Council Tax Support scheme in line with Housing Benefit and the Pension Age Council Tax Support scheme as these changes have already been made by central Government;
- New claims from working age claimants with dependent children may receive less help through the Council Tax Support scheme.

### Proposal 2 – Reducing backdating for new claims to 1 month

Currently claims for Council Tax Support from working age claimants can be backdated for up to 6 months where an applicant shows they could not have made a claim earlier. Central Government has reduced the period for Housing Benefit claims to 1 month. It is proposed that Plymouth's Council Tax Support scheme be aligned with the changes for Housing Benefit.

#### What does this change mean?

- It is a simple alteration to the scheme which should make it easier to understand when claiming Housing Benefit and Council Tax Support, as the rules will be the same.
- New working age claimants may see a reduction in the amount of support they received if they delay in making a claim.

### Proposal 3 – To assume a set minimum income within the calculation of Council Tax Support for self-employed earners after a 1 year's self-employment

In order to align Council Tax Support with Universal Credit, the council proposes to assume a minimum level of income for those who are self-employed – this is known as the Minimum Income Floor. The amount would be in line with the National Living Wage or the National Minimum wage



(for under 25's) for 35 hours worked per week. If someone who is self-employed earns less than this amount, we will take the Minimum Income Floor as an assumed level of income. Any income above the assumed Minimum Income Floor 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 any person who is both employed and self-employed.

### **What does this change mean?**

- The treatment of income for self-employed claimants for Council Tax Support will be brought broadly into line with Universal Credit.
- It should encourage self-employed working age applicants to expand and develop their business.

### **Proposal 4 – Reducing the period a person can be absent from Great Britain and still receive Council Tax Support to 4 weeks**

Within the current scheme claimants can be temporarily absent from their homes for 13 weeks (or 52 weeks in certain cases) without it affecting the level of Council Tax Support. We propose reducing this to 4 weeks for absences outside Great Britain. This is in line with changes the Government plan to make to Housing Benefit and the Pension Age Council Tax Support schemes.

There will be exceptions for certain occupations such as mariners and the armed forces. There is also provision for this to be extended to 8 weeks in specific circumstances such as the death of a close relative.

### **What does this change mean?**

- The treatment of temporary absence will be brought into line with Housing Benefit and the Pension Age Council Tax Support scheme to make it easier to understand for applicants, and improve efficiency in running the scheme.
- It is seen as fairer.
- If a person is absent from Great Britain for a period which is likely to exceed 4 weeks, their Council Tax Support will end from when they leave the country. They will need to make a new claim on their return.

### **Proposal 5 – To remove the work related activity component in the calculation of the current scheme for new Employment and Support claimants**

From April 2017, all new claimants of Employment and Support Allowance (ESA) who fall within the Work Related Activity Group will no longer receive the work related activity component in either their ESA or within the calculation of Housing Benefit.

A person who falls within the Work Related Activity Group, and currently receives this component, is someone who has limited capability to work due to limited physical and/or mental conditions, and that limitation is not reasonable to require them to undertake work. It is proposed that the Council Tax Support scheme is amended to reflect the changes in ESA and Housing Benefit.

### **What does this change mean?**

- The treatment of ESA will be brought into line with Housing Benefit which avoids additional costs to the Council Tax Support scheme.
- Persons currently receiving ESA with the work related activity component will not receive less Council Tax Support.

### **Proposal 6 – To limit the number of dependant children within the calculation for Council Tax Support to a maximum of 2**

Within the current scheme, claimants who have children are normally awarded a dependant addition of £66.90 per child within the calculation of their needs (Applicable Amounts). There is currently no limit to the number of dependent children included in the calculation.

It is proposed that the Council Tax Support scheme is amended to reflect the changes in Housing Benefit and other welfare benefits. From April 2017 the Government will be limiting dependant additions in Universal Credit, Housing Benefit, and Tax Credits to a maximum of two children. This will only affect households who have a third or subsequent child born on or after 1st April 2017.

There will be exceptions; for example where there are multiple births after 1st April 2017 (and the household is not already at their maximum of two dependants within the calculation); adopted children, or where households merge, etc.

### **What does this change mean?**

- Council Tax Support will be brought into line with Housing Benefit, Universal Credit, and Tax Credits to make the scheme easier to understand using the same rules as other welfare benefits, and reduce costs by improving efficiency.
- Claimants who have a third or subsequent child after 1st April 2017 (and are not exempt from the rules) may receive less Council Tax Support than claimants who have more than two children born before 1st April 2017.

### **Proposal 7 – To remove entitlement to the Severe Disability Premium where someone with a disability is cared for by another person who receives Universal Credit with a Carer's Element**

Currently the Severe Disability Premium is not included when working out the needs (Applicable Amount) of a claimant who is cared for by a person who is paid Carers Allowance. The reason for this is that it avoids paying for the same care twice. This proposed change will align the scheme with Housing Benefit by treating persons who receive the Universal Credit Carers Element in the same way as someone receiving Carers Allowance.

## **What does this change mean?**

- Council Tax Support will be brought into line with Housing Benefit to make the scheme easier to understand using the same rules as other benefits, and reduce costs by improving efficiency.
- Persons cared for by somebody who receives the Universal Credit Carers Element will no longer receive the Severe Disability Premium when working out their needs.
- It will be fairer as we will be treating those receiving Universal Credit Carers Element in the same way as those receiving Carers Allowance.

### **Proposal 8 – To remove the additional earnings disregard and apply the standard earnings disregards regardless of hours worked to those claimants who receive Universal Credit**

A standard disregard is applied if you have earnings. Currently there is an additional earnings disregard of £17.10 per week that can be applied if you work sufficient hours. This proposal will remove the additional earnings disregard regardless of hours worked to those claimants on Universal Credit.

## **What does this change mean?**

- Removing the additional earnings disregard from the Council Tax Support calculation will simplify the administration of claims for those in receipt of Universal Credit;
- It will make the scheme easier to understand and reduce costs by improving efficiency.