

# APPENDIX 2

## 2019/20 Council Tax Reduction Scheme

### Background Information to Consultation

#### Introduction

Council Tax is a local tax which helps pay for local services such as education, social services and waste and recycling collections, as well as contributing towards police and fire services. The amount you have to pay depends on the property band of your home, which is based on the value of the property.

Council Tax Benefit (CTB) was a means-tested benefit that helped people on low incomes pay their council tax. The government stopped CTB back in March 2013 and asked local authorities to develop a local scheme. As a result, in April 2013, as part of the Welfare Reform, CTB was replaced by Council Tax Reduction (CTR).

Currently the council pays out CTR of around £10.5million for 9,987 council tax payers, of which 3,668 are pensioners and 6,319 are working age customers.

Previously the council had been reimbursed, in full, for each person who received CTB, but under the CTR scheme, less funding is available and more of the cost is falling on local council tax payers. By 2019/20 the Council will have seen a reduction in the general grant of around £4 million.

The proposed scheme changes do not apply to pensioners as they have a separate scheme set by the Government.

#### Current Scheme

In 2013/14, the council made the following changes to the 'old' CTB scheme which resulted in some residents having to pay more towards their council tax.

- a minimum entitlement of £5 per week, that is any amount below £5 would not be paid
- removed the second adult rebate calculation
- increased non dependant deductions

The scheme has remained unchanged since 2013/14. In fact, we are the only authority in East Sussex that continues to pay up to 100% of the council tax charge. Our neighbouring authorities will only pay up to 80% of the full charge. Full details of the current scheme can be found at [https://www.hastings.gov.uk/static/foi/FOI-70189735\\_Hastings\\_Borough\\_Council\\_-\\_Council\\_Tax\\_Reduction\\_Scheme.pdf](https://www.hastings.gov.uk/static/foi/FOI-70189735_Hastings_Borough_Council_-_Council_Tax_Reduction_Scheme.pdf)

#### 2019/20

Moving forward, due to the continuing reductions in government grants, the council needs to consider making changes to the scheme which would come into effect from 1 April 2019.

Hastings Borough Council has a budget shortfall for 2019/20 of £2.1m across all council services.

As council tax increases, the amount paid out in CTR also increases which is unsustainable for the council when funding is reducing. Changing the CTR scheme to only assist those most in need is one way of contributing towards the shortfall, however with the amounts involved other areas of council activities will also need to be considered.

With regards to making savings through the CTR scheme, the council has already considered and discounted three proposals because they would not deliver any savings and in all cases would increase the cost.

These proposals were:

- To continue with the current means tested scheme. Due to the normal council tax increases that take place each April, by retaining the existing scheme, the cost would increase by between £300,000 and £500,000, of which £42,000 to £70,000 would be borne by Hastings Borough Council. Therefore, this proposal was discounted.

- To introduce a discount scheme which would have three levels of discount ie 100%; 75%; 50%, depending on the taxpayers' income levels. As this scheme made an assumption that an increasing number of our residents would be getting Universal Credit, the scheme was discounted as the numbers transferring to Universal Credit are lower than expected and the cost would be higher. Given the potential simplicity of this scheme, this could be a proposal for future years.
- To introduce an income banded scheme which would have four levels of discount, ie 100%; 80%; 60%; 40% depending on the taxpayers' income and circumstances. This scheme was discounted as it was going to cost the council more money, not less. Until the removal of the 100% maximum award, income banded schemes are not seen as being cost effective.

In order to make savings, the council is proposing that changes are made to the existing means tested CTR scheme. The changes being considered are listed below. Details of the impact of these proposed changes are given in the consultation questionnaire to help you answer each of the questions. Overall the changes would reduce the amount of help available for people affected by the changes and could deliver savings in the region of £300,000 (depending on take up) of which the council would keep £42,000 with the rest going to East Sussex County Council, the Police and Fire and Rescue Services.

The proposed changes are:

- increase the taper used in the calculation from 20% to 30%
- introduce a flat rate deduction of £5.00 per week for adults aged 18 and over in the household who are neither the claimant nor the partner
- restrict the amount of CTR to Band D level for E, F,G, and H property (properties are banded A to H)
- introduce a flat rate earnings disregard of £17.50
- remove the Family Premium
- introduce the 2 child restriction

No decisions have been made yet on the proposals and the following questionnaire seeks your views and suggestions to help us come up with our 2019/20 scheme.

## Council Tax Reduction Consultation Questionnaire

1. The Council is very keen that you have all the information you need to provide informed answers. The background information above explains the scheme and also how the scheme is currently funded. Please confirm that you have read this information:

I have read the background information about the Council Tax Reduction scheme. Yes  No

### Paying for the scheme

2. Do you agree that the Council should reduce the amount it pays out in CTR in order to help with the shortfall? Please select one answer only

Yes

No

Don't know

Please use the space below to make any comments you have:

## Proposals for making changes to the existing Council Tax Reduction scheme

### Proposal 1 - Increase the taper used in the calculation from 20% to 30%

At present, when deciding how much CTR a person can get, we compare a person's income against the allowances as set by Government. If their income is equal to or less than the allowances, full CTR is awarded. If their income is above the allowances then we reduce the 100% amount by 20% of the extra income. The proposal is to change the 20% to 30%.

The advantages of this proposal are:

- there would be no change for working age residents with income up to the allowances.
- it would be a simple change to the system

The disadvantages of this proposal are:

- working age residents with income above the set allowances would see their CTR reduced. (Please see example below.)

*Example: A working age resident has income of £120.00 per week. His set allowances are £73.10 and his weekly council tax is £25.00. Under the current scheme, as his income is £46.90 more than his allowances, he would be entitled to £25.00 less £9.38 (20% of £46.90) giving him a weekly entitlement of £15.62. The proposal would reduce his gross weekly council tax by £14.07 (30% of £46.90) which means he would only get £10.93 per week. This means that he would be £4.69 per week worse off. (10% of £46.90)*

### Proposal 1 - Question

Do you agree that we should increase the taper when calculating how much CTR a working age resident should get?

Yes

No

Don't know

Please use the space below to make any comments you have about Proposal 1:

### Proposal 2 - Introduce a flat rate deduction of £5.00 per week for adults aged 18 and over in the household who are neither the claimant nor the partner

At this time, adults living in the household, aged 18 and over, who are neither the claimant nor the partner are referred to as non-dependants. When calculating how much CTR to award to the claimant, an amount is deducted for each non-dependant depending on their age and circumstances, for example whether they are working or claiming a state benefit. Currently the deductions vary from £0.00 to £12.30 per week. The proposal is to make it a flat rate deduction of £5.00 per week.

The advantages of this proposal are:

- this would make it easier to administer as there would be no need to gather income details for the non-dependant, we would only need to know they are living at the property.

The disadvantages of this proposal are:

- whilst some customers would see their CTR increase, some, however, would see their CTR go down. (Please see example below.)

*Example: A council taxpayer has her 25 year old son living with her. He is working and earns £150.00 per week. Currently we deduct £4.10 for the non-dependant. Under the proposal the deduction would increase to £5.00, therefore a reduction in entitlement of 90 pence per week. However, if he was earning £190.00 per week, currently we are deducting £8.10 per week. With the proposed flat rate deduction of £5.00, the taxpayer would be better off by £3.10 per week.*

### **Proposal 2 - Question**

Do you agree that we should bring in a flat rate non-dependant deduction of £5.00 per week?

Yes

No

Don't know

Please use the space below to make any comments you have about Proposal 2:

### **Proposal 3 - Restrict the maximum amount of CTR to that of a Band D property**

At this time when deciding how much CTR a person can get, we base the calculation on the actual amount of council tax the taxpayer has to pay. The proposal is to restrict the maximum amount they can get to that of a Band D.

The advantages of this proposal are:

- There would be no change for working age residents living in a property with a Band A, B, C or D
- It would be a simple change to the system

The disadvantages of this proposal are:

- Working age residents living in a Band E, F, G or H property would have their CTR restricted to a maximum amount of a Band D property. (Please see example below.)

*Example: A taxpayer lives in a Band E property with a weekly council tax liability of £44.72. At present if he claimed CTR, depending on his circumstances, he could get up to £44.72 per week. However under the proposal, he would only get CTR up to a maximum of £36.59 per week (the weekly council tax charge for a Band D property). This would mean he would need to pay a minimum of £8.13 per week, that is, the difference between Band D and Band E.*

### **Proposal 3 - Question**

Do you agree that we should restrict the maximum amount of CTR to a Band D property?

Yes

No

Don't know

Please use the space below to make any comments you have about Proposal 3:

#### **Proposal 4 - Introduce a flat rate disregard of £17.50 for all earners**

At this time when deciding how much CTR a person can get, where the claimant is employed, there are four different levels of deduction depending on the claimant's family circumstances. They range from £5.00 to £25.00 per week. The proposal is to make it a flat rate amount of £17.50 which means that all working customers would have the first £17.50 of their net earnings disregarded.

The advantages of this proposal are:

- this would be beneficial to single people and couples with children and will be an incentive to move into work.
- it would be a simple change to the system

The disadvantages of this proposal are:

- single parents would be worse off as a result of this change. Please see example below.

*Example: At this time a single parent has £25 of earnings disregarded. Under the proposal they would only have £17.50 disregarded, a difference of £7.50 per week. When calculating how much CTR they would get, this would mean a weekly reduction of £2.25 (30% of £7.50). This assumes that the taper in Proposal 1 is put into effect. If the taper remains at 20% the weekly reduction would be £1.50.*

#### **Proposal 4 - Question**

Do you agree that we should introduce a flat rate disregard of £17.50 for all earners?

Yes

No

Don't know

Please use the space below to make any comments you have about Proposal 4:

#### **Proposal 5 - Remove the family premium**

At this time when deciding how much CTR a person can get, where there are children in the household and the claimant is not getting other welfare benefits, a premium of £17.45 per week is included in the calculation. This means that the claimant gets more help than households with no children. The proposal is to remove the premium which would reduce the amount of CTR awarded.

The advantages of this proposal are:

- this would bring the CTR scheme in line with both the Pensioner Prescribed Scheme and the Housing Benefit Regulations.
- it would be a simple change to the system

The disadvantages of this proposal are:

- there would be a reduction in CTR for working households. Please see example below.

*Example: By removing the family premium, households with children would lose £5.24 per week (30% of £17.45). This assumes that the taper in Proposal 1 is put into effect. If the taper remains at 20% the weekly reduction would be £3.49.*

### Proposal 5 - Question

Do you agree that we should remove the family premium for working age households with children?

Yes

No

Don't know

Please use the space below to make any comments you have about Proposal 5:

### Proposal 6 - Introduce the 2 child restriction

At this time when deciding how much CTR a person can get, all children are allocated an allowance. The more allowances taken into account the more CTR a claimant may get. The proposal is to restrict the number of allowances to 2 children only.

The advantages of this proposal are:

- this would bring the CTR scheme in line with both the Pensioner Prescribed Scheme and the Housing Benefit Regulations.
- there would be no change to the calculation for households with less than 3 children

The disadvantages of this proposal are:

- there would be a reduction in CTR for households with more than 2 children. Please see example below.

*Example: At present if a claim is made for CTR and there are 3 children in the household, an allowance of £66.90 per child is taken into account in the calculation. Therefore an allowance of £200.70 would be used. With this proposal, if the same household were to apply, allowances would be reduced to the amount for 2 children, ie £133.80 (2 x £66.90) a difference of £66.90 per week. This would mean a reduction in CTR of £20.07 per week. (30% of £66.90) This assumes that the taper in Proposal 1 is put into effect. If the taper remains at 20% the weekly reduction would be £13.38.*

### Proposal 6 - Question

Do you agree that we should introduce the 2 child restriction?

Yes

No

Don't know

Please use the space below to make any comments you have about Proposal 6:

## About You

Why do we ask these questions? The following questions will help us decide what proposals to choose. They will also help us monitor what different groups of people think about the proposed Council Tax Reduction scheme. All information you provide is completely confidential and anonymous. This means that your personal information will not be passed on to anyone and your personal details will not be reported alongside your responses.

Please tell us your postcode:

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Which age group do you fall into?

- 18 - 35
- 36 - 59
- 60 - 74
- 75+

What do you consider your ethnic origin to be:

- |                                                          |                                                |
|----------------------------------------------------------|------------------------------------------------|
| <input type="checkbox"/> White British                   | <input type="checkbox"/> Chinese               |
| <input type="checkbox"/> White Irish                     | <input type="checkbox"/> Indian                |
| <input type="checkbox"/> White Other                     | <input type="checkbox"/> Pakistani             |
| <input type="checkbox"/> Black African                   | <input type="checkbox"/> Other Asian           |
| <input type="checkbox"/> Black Caribbean                 | <input type="checkbox"/> Mixed White and Asian |
| <input type="checkbox"/> Black Other                     | <input type="checkbox"/> Middle Eastern        |
| <input type="checkbox"/> Mixed White and Black Caribbean | <input type="checkbox"/> Mixed Other           |
| <input type="checkbox"/> Mixed White and Black African   | <input type="checkbox"/> Other                 |
| <input type="checkbox"/> Bangladeshi                     |                                                |

Which of these best describes what you do?

- |                                                              |                                                                |
|--------------------------------------------------------------|----------------------------------------------------------------|
| <input type="checkbox"/> Full time work                      | <input type="checkbox"/> Retired                               |
| <input type="checkbox"/> Part time work                      | <input type="checkbox"/> Long term sick/disabled               |
| <input type="checkbox"/> Volunteer work                      | <input type="checkbox"/> Apprenticeship or training scheme     |
| <input type="checkbox"/> Full time student                   | <input type="checkbox"/> Full time (unpaid) carer for an adult |
| <input type="checkbox"/> Unemployed and looking for work     | <input type="checkbox"/> Full time (unpaid) carer for a child  |
| <input type="checkbox"/> Unemployed and not looking for work | <input type="checkbox"/> None of the above                     |

## Next steps

Because of the timescales involved, and the legal requirement that the Council adopts its scheme by 11 March 2019, if it is to take effect from 1 April 2019, the consultation will therefore start on 3 September 2018 and close on 28 October 2018.

We will listen carefully to what residents tell us and the consultation results will be considered with other evidence and information for the Full Council to make the final decision on the 2019/20 scheme.

The results from the consultation will be available on the Council's website when a decision has been made.

The new scheme will start on 1 April 2019. The Council will consider the impact of the scheme annually and consult again if it thinks further changes need to be made.

Thank you for completing the questionnaire. Please click on the button below to submit your responses.