

Appendix B

Draft Council Tax Reduction Scheme

Key principles (and how the proposed CTRS scheme meets them)

Principle	How does the proposed scheme meet the principle?	Possible disadvantages with the proposal
<p>1. The scheme must take a broad view of “vulnerability”, in particular financial ability to pay Council Tax, rather than using receipt of welfare benefits (e.g. disability benefits) as a proxy for vulnerability (as the current scheme does).</p>	<p>The scheme is based on ability to pay; the more a claimant’s (or their household’s) income, the lower their CTS award and the more they have to pay.</p>	<p>Some claimants will go from a full discount to having a net liability for the first time. This is most likely where there are non-dependants in the property where there was previously no non-dependant charge made, and this will affect approximately 1000 cases by between £4.00 and £20.00 per week. However, it is a policy intention of the scheme that all non-dependants contribute to the household’s liability, subject to their income, and fewer than 300 will be affected by the full charge.</p>
<p>2. The scheme must “incentivise work” (CLG requirement).</p>	<ul style="list-style-type: none"> • Uses the UC earned income figure which has already had a disregard applied to (more generous than our current one). • Earnings can increase within the bands before requirement to pay more CTAX. • Any Working Tax Credits are disregarded completely, as is any additional Child Tax Credit for work related expenditure such as child care costs. 	<ul style="list-style-type: none"> • A claimant with income currently very near the top of one income band, could earn just a few pounds more a week, but fall into a new band meaning they would need to pay an additional amount per week • For example, a Band D property has a £9.11 difference in rebate between the second and third income bands, so if a claimant’s income rose by one hour at minimum wage (£6.15 to £8.21 depending on age), the claimant <i>could</i> lose out, if their current income was very close to the top of the band • However, relatively few claimants fall into this category to start with, and it is unlikely that a claimant is going to take a new job for only one hours’ extra work,

		<p>and additional work of anything over one hour would give them a net benefit). (In higher Council Tax bands, a claimant in this position may have to work over two hours extra to see a net benefit.)</p> <ul style="list-style-type: none"> • Also, a discretionary award could be considered to mitigate this impact if it did occur
3. There should be equity between the treatment of employed and unemployed residents. i.e. cuts cannot just be loaded onto the unemployed, or disproportionately onto those on the very lowest incomes	<ul style="list-style-type: none"> • It is based on an ability to pay so the unemployed in fact are “winners”, moving from an award based on a maximum of 80% liability to 100%. 	<ul style="list-style-type: none"> • May be viewed that the unemployed are being treated less harshly than employed claimants on the basis that they have less to pay.
4. Scheme design must consider Brent’s claimant demographic, and ensure that it can reflect the circumstances of the various current cohorts (e.g. large numbers of self-employed, or claimants in insecure work, etc.); i.e. it will be geared to Brent’s claimants’ needs not to a generic set of rules.	<ul style="list-style-type: none"> • Those on a low earned income (be it on a Self-Employed, CIS or PAYE basis) will have less to pay than those with a higher earned income. They will be able to keep 100% of any additional DWP or HMRC income and in fact some at 80% increase to 95%. There is no known group within Brent (e.g. single parents; self-employed workers etc.) who are known to lose out due to this methodology. 	<ul style="list-style-type: none"> • None apparent
5. Scheme must deliver agreed savings	<ul style="list-style-type: none"> • Various scheme options have been modelled, up to a maximum reduction in expenditure of £4.6M (15%). However, the Council has subsequently decided that the scheme change will not be required to deliver savings, and will be cost-neutral to current expenditure 	<ul style="list-style-type: none"> • None apparent
6. Scheme should be capable of existing for up to three years without need for further fundamental review	<ul style="list-style-type: none"> • No foreseen impacts which would prevent this but the situation will need to be reviewed year on year 	<ul style="list-style-type: none"> • Although it is preferred not to change scheme design within three years, the scheme <u>must</u> be reviewed annually, and a formal decision made whether to retain the scheme or to revise it. There is therefore an annual opportunity to make changes if necessary.

<p>7. Scheme should include the means to require other adult members of the claimant's household to contribute towards Council Tax liability</p>	<ul style="list-style-type: none"> • The savings realised are mainly from an increase to the collective contributions from non-dependants (though individual contributions will reduce in certain cases). 	<ul style="list-style-type: none"> • Although "charges" are made in respect of any non-dependants, it is the claimant's CTRS award which is actually reduced, and them that need to obtain the contribution from the non-dependant. We know that this isn't always straight-forward and achievable, however non-dependent charges have been a well-established feature of benefit schemes for over 30 years; the proposed CTRS scheme proposal only changes the amounts to be charged • Could contribute to a decrease in collection, and increased summons / Court costs for liable persons if non-dependants did not contribute their share to the claimant • May result in increases in fraudulent claims in respect of non-dependants being reported as having moved out, although evidence will be required to support such declarations. Also the threat of reductions to the claimant's housing benefit due to the Bedroom Tax or a reduced Local Housing Allowance being applied will tend to disincentivise this behaviour within the CTRS scheme.
<p>8. New scheme must be streamlined and simpler to administer</p>	<ul style="list-style-type: none"> • The scheme is relatively simple, with potential to be fully automated in future. • CTRS will be a discount like Single Person Discount, with simple criteria. Not a means tested benefit, like UC. • Fewer changes in circumstances to administer 	<ul style="list-style-type: none"> • Current CTS reacts to every change in circumstance, every nuance. The new scheme ignores a lot of the movable parts, but in that may lose some of the nuance. While this is likely to be relatively marginal, a discretionary payment would potentially be available for any significant cases.
<p>9. New scheme must be easier to understand and transparent to customers</p>	<ul style="list-style-type: none"> • Main scheme details (i.e. the banded discount table and the non-dependant income table) 	<ul style="list-style-type: none"> • None apparent

	could feasibly be included as a half-page summary on the back of a Council Tax bill (or attachment).	
10. The scheme must be compatible with UC; i.e. it must provide a mechanism to fairly assess CTRS for UC claimants and non-UC claimants alike, but must also be capable of functioning apart from UC - i.e. without tying validation of CTRS entitlement <i>rigidly</i> to receipt of UC - so that any future major change to the UC scheme would not result in the need for immediate redesign of CTRS.	<ul style="list-style-type: none"> • Awards will be managed by a UC xml input (electronically delivered to the Council by DWP, daily). • Most of the information needed to award CTRS would be on the UC xml, without the need to contact the claimant • In the event of issues around UC, or even major changes, the CTRS scheme can still operate via claims and provision of earnings evidence made direct to the Council • CTAX bills will not bounce up and down as UC entitlement changes monthly; they will only change where there has been a significant change in the claimant's income 	<ul style="list-style-type: none"> • None apparent
11. The scheme must be capable of being automated as far as is possible	<ul style="list-style-type: none"> • The scheme is relatively simple, with potential to be fully automated in future. 	<ul style="list-style-type: none"> • None apparent currently, other than that discretionary awards will not be capable of being automated
12. LA's must also ensure that appropriate consideration has been given to support for other vulnerable groups, including those which may require protection under other statutory provisions including the Child Poverty Act 2010, the Disabled Persons Act 1986 and the Equality Act 2010, amongst others.	<ul style="list-style-type: none"> • See Equalities Assessment 	<ul style="list-style-type: none"> • See Equalities Assessment