Report to	Council	**Item**
	27 January 2015	
Report of	Executive head of business relationship management and democracy	9
Subject	Council tax reduction scheme for 2015 - 16	

Purpose

To consider a council tax reduction scheme for 2015 - 16 and to consider discounts and exemptions.

Recommendations

To:

(1) approve the council tax reduction scheme 2015 - 16 by continuing with the council's 2014/15 scheme with a number of modifications:

(a) calculate the income someone gets for council tax reduction in the same way as it is calculated for housing benefit;

(b) disregard war and armed forces disablement income when assessing a reduction in council tax;

(c) align council tax reduction and housing benefit processes wherever possible;

(2) remove the one month discount for vacant dwellings (Class C) so that the discount is zero for six months.

Corporate and service priorities

The report helps to meet the corporate priority *Value for money services*.

Financial implications:

The proposed changes to the council tax reduction scheme will result in additional income to the council of around £17,500. This is because the disregard for war and armed forces disablement income is currently funded by the council. If this is included in the scheme the burden will be shared by all precepting authorities.

Removing the one month empty discount for vacant dwellings will increase the income to the council's general fund by around £70,000. However, based on previous year's figures this will increase the cost to the Housing Revenue Account by around £40,000.

Ward/s: All Wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers:

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Report

Introduction

1. In April 2013 the government abolished the previous national council tax benefit scheme which helped those people with no or low income to pay their council tax. The government set the rules regarding who can claim and how much benefit they would receive. Previously the government funded 100% of the council tax benefit scheme.

2. To replace council tax benefit the government told local councils to come up with their own locally run scheme called the council tax reduction scheme. As part of this the government reduced the amount of funding it provided to councils for this by 10%. In Norwich this was a reduction of about £1.5 million per year. However, the government also said that pensioner households could not lose any of their council tax benefit.

3. On 29 January 2013 council considered options for the council's first council tax reduction scheme and opted for no changes to the then existing scheme for council tax benefit. This meant adopting the "default regulations" [The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012]

4. Further, on 29 January 2013 council approved raising income through changing council tax discounts and exemptions.

5. On 28 January 2014 council

   RESOLVED, unanimously, to –

   (a) approve the council tax reduction scheme for 2014 - 15 i.e. continue with the council's 2013 - 14 scheme which adopted the "default regulations" [The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012] and gave 100% disregard to war pensions when calculating a claimant's income;

   (b) adopt the Department for Work and Pension's 2014 housing benefit figures for personal allowances; premiums; employment and support allowance work-related and support components for its council tax reduction scheme;

   (c) adopt the Department for Communities and Local Government advised council tax reduction scheme pensioner applicant prescribed figures for non-dependant deductions and alternative council tax reduction scheme ('second adult reduction') and also apply these to working-age applicants; and,

   (d) approve continuing with the same discounts and exemptions as for 2013 - 14 ie:

      (i) to increase the amount of council tax payable by second home owners from 90% to 95% and that the additional income generated is utilised in accordance with the existing second homes council tax agreement.

      (ii) to allow a 50% discount for up to 12 months for empty dwellings undergoing major repairs (Class A).

      (iii) to grant a 100% discount for vacant dwellings (Class C) for the first month and that the discount is then reduced to zero up to 6 months.

(iv) to charge 100% council tax for long term empty properties (vacant between 6 months and 24 months) and allow no discount.

(v) after two years to levy an empty homes premium of an additional 50% in council tax.

Consultation process for 2015 - 16 Council tax reduction scheme

6. Schedule 1A to the Local Government Finance Act 1992 states:

(1) For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.

(2)The authority must make any revision to its scheme, or any replacement scheme, no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.

7. The council consulted with the other precepting authorities, the office of the Police and Crime Commissioner and Norfolk County Council. No adverse comments have been received.

8. The council has also consulted through the wider consultation on the development of the council's budget for 2014 - 15. The following questions were asked and responses received:

(a) QB3a: Do you agree that the amount of income someone gets should be calculated for council tax reduction in the same way as for housing benefit and change at the time and amount? – Yes 81.4% No 18.6%;

(b) QB3b – Do you agree that war and armed forces disablement incomes should not be counted when assessing a reduction in council tax? – Yes 62.4% No 37.6%;

(c) QB3c - Do you agree that CTRS and HB process should be aligned wherever possible as outlined? – Yes 83.9% No 16.1%;

(d) QB3d – Do you support removing the one month period when council tax is not paid on an empty property? – Yes 58.3% No 41.7%.

9. At the time of writing this report the full comments and analysis for the consultation was not available. However, from the raw data as above there is clear support for the proposed changes.

10. A copy of the consultation questions is attached as Appendix 1.

11. A copy of the further information available explaining the potential changes is attached as Appendix 2.

Proposal for 2015 - 16 Council tax reduction scheme

12. The proposal is for the 2015 - 16 council tax reduction scheme to continue with the council's 2014/15 scheme with a number of modifications to be made to:

    (a) calculate the income someone gets for council tax reduction in the same way as it is calculated for housing benefit;

    (b) disregard war and armed forces disablement income when assessing a reduction in council tax;

    (c) align council tax reduction and housing benefit processes wherever possible.

Proposal for 2015-16 tax discounts and exemptions

13. The proposal for 2015-16 is to continue with the same discounts and exemptions as for 2014-15 with the exception of the one month empty property discount ie:

    a) To remove the discount for vacant dwellings (Class C) so that the discount is zero for six months.

Integrated impact assessment

NORWICH City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found here. Delete this row after completion

Report author to complete	
Committee:	Council
Committee date:	27 January 2015
Head of service:	Anton Bull
Report subject:	Council tax reduction scheme for 2015 - 16
Date assessed:	20 January 2014
Description:	Council tax reduction scheme for 2015 - 16

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	☒	☐	The removal of the one month empty property discount will increase revenue for the council
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☐	☐	☒	The report recommends continuing with the council tax reduction scheme adopted for 2014/15 and aligning CTRS with Housing benefit
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☒	☐	☐	
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☒	☐	☐	
(Please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Risk management	☒	☐	☐	

Recommendations from impact assessment
Positive
Negative
Neutral
Issues

Section B3

National government abolished Council Tax Benefit two years' ago as a national benefit and all councils had to design their own schemes (called "Council Tax Reduction Schemes"). We asked you about this at the time and we continue to have a scheme which is the same as the national benefit before it was abolished. We also took the opportunity to raise more money from second homes and empty homes by removing certain discounts which had applied. We would now like to make a few minor changes to our scheme and to bring it in to line with how housing benefit is calculated. More detailed information is included here.

Amounts of money you can keep before the amount you get off your bill goes down.

The CTRS reduces your Council Tax bill dependent upon what your income is. Included in this is a basic amount (called an "applicable amount"). If you get below this you receive maximum reduction. The amount you get off your bill then goes down as your income goes up. At present if you get housing benefit the government increases the applicable amount each year (there was a 1% increase this year). The same sometimes applies to the small number of students who can get benefits and the amount they can keep for books, travel and loans. We want to increase the applicable amounts for CTRS in exactly the same way and at the same percentage as for housing benefit if and when such changes are made:

QB3a: Do you agree that the amount of income someone gets should be calculated for council tax reduction in the same way as for housing benefit and change at the time and amount?

The city council has not included income from a number of war income, war disablement or other similar armed forces incomes for many years. We wish to carry on ignoring these incomes when assessing council tax reductions. At present we use our own local powers to do this. However we now want to put this in to the scheme itself rather than rely on local powers. It also means that the money needed to pay for this is shared between the bodies which raise Council Tax in relation to how much of the overall bill they raise (Norwich City Council (about 15%), Norfolk County Council (about 72%) and the Office of the Police and Crime Commissioner (about 13%)).

QB3b: Do you agree that war and armed forces disablement incomes should not be counted when assessing a reduction in Council Tax?

Calculating CTRS in the same way as housing benefit.

As well as the changes suggested above we would also like to make CTRS and Housing Benefit work in the same ways wherever possible. This will make

it easier for people to understand as well as making the two calculations easier and cheaper. The changes are:

- Use national government figures when deciding how much a family member aged 18 and over should contribute to bills if they live at home before reducing Council Tax

- Use national government figures when deciding how much a non-family member adult should contribute when the bill payer lives on their own and would otherwise get 25% a single person reduction

- When someone does not reply to requests for more information after two requests their council tax reduction be cancelled. Unlike all other changes this would also apply to pensioner aged households

- Changes to national housing benefit regulations will alter at what stage changes to benefit take effect when income changes. CTRS changes should be applied using the same process to make it both easier to understand and easier to calculate

- Remove CTRS from the very small number of European Economic Area nationals who receive Jobseekers' Allowance but cannot receive housing benefit if they do not have "retained status"

QB3c: Do you agree that CTRS and HB process should be aligned wherever possible as outlined?

Empty homes discounts

In previous years we took the opportunity to reduce the length of time Council Tax was not payable on empty homes from six months to one month and now also charge extra when those homes have been empty over two years. We wish to consider if this one month discount should be removed completely and that Council Tax become payable on all empty homes whenever they are empty. There will still be very specific exemptions for periods of time after the death of a resident for example. This will not change.

QB3d: Do you support removing the one month period when Council Tax is not paid on an empty property?

Changes to Norwich Council Tax Reduction Scheme 2015

The CTR scheme was introduced in Norwich in April 2013. All local authority schemes are required to be administered within the framework of *The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.* Additionally local authorities are able to devise their own local scheme regulations. Norwich adopted *The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012* as the framework for their local scheme. The Council Tax Reduction (CTR) scheme may be changed each financial year by the administering local authority, subject to public consultation and councillor agreement to any changes.

We are recommending that the Norwich CTR scheme now has some technical changes. Both HB and CTR are administered by the same service area and many applicants apply for and receive HB and CTR at the same time. Therefore it makes administrative and financial sense to consider the potential impact of any miss-alignment between the HB and CTR regulations, especially where the income of applicants is affected. If these changes are made they will also impact on those customers who receive CTR only.

There is a requirement through the Prescribed Requirement regulations that CTR entitlement for pensionable aged applicants is protected from many local changes. Therefore the changes to the Norwich CTR scheme are likely to impact primarily on working-age applicants, but where changes may also affect pensioner-aged applicants these been mentioned.

Recommended areas of change:

1. **When calculating CTR for working-age customers use:**
   DWP 2015/2016 HB figures collectively referred to as the 'applicable amount', and…
   the same Department for Communities and Local Government for 2015/2016 pensionable-aged figures for non-dependant deductions and second adult reduction income brackets.

What will this mean for my CTR award?

If we do not do this customers of working-age may find their CTR award does not rise in line with other benefits received. This process has been applied to the Norwich CTR scheme in previous years so we are recommending that this carried out for 2015.

2. **Where Social Security HB student disregards for books, travel and student loans change the Norwich CTR scheme student disregards would reflect these changes.**

What will this mean for my CTR award?

Enables 'eligible' students claiming HB and CTR to have student income calculated at the same level.

3. **Disregard in full the following war pension incomes: war disablement pensions; war widow's pensions; war widower's pensions; armed forces compensation scheme payments.**

What will this mean for my CTR award?

These incomes have been disregarded in full for previous years. We would like to continue this in future years for both 'pensionable aged' and working-age customers.

4. **The CTR award will end if customers fail to respond to an official request for information or evidence required for a CTR decision to be made.**

What will this mean for my CTR award?
Although many customers respond to requests for information, a minority of customers fail to reply. In these cases customers may receive either too little or too much CTR which may result in council tax recovery issues further down the line.

Customers will have one month to reply to requests. Where a customer fails to respond to a request a reminder will be issued giving one further month to respond. If no contact has been made with the council the CTR award would ended. It is proposed that this change will be applied to both working-age and pensionable age CTR customers.

5. **Reflect changes to the period to which earned income is applied to CTR in line with HB.**

What will this mean for my CTR award?
There is currently proposed in HB regulations a 'clarification' to when earnings and changes in earnings are applied to the award. If the Norwich CTR scheme is not aligned to any future HB regulation changes for earnings, customers receiving both HB and CTR may find earnings and changes to earnings are applied to different dates and periods within the HB award and CTR award.

6. **Nationals from European Economic Area (EEA) who are in receipt of income-based Jobseeker's Allowance without a retained-worker status will be unable to receive CTR.**

What will this mean for my CTR award?
HB is restricted for non-British EEA nationals in receipt of income-based Jobseeker's Allowance who do not have a 'retained worker' status. It is proposed that Norwich CTR scheme aligns with changes to HB. This will mean non-British EEA nationals in receipt of income-based Jobseeker's Allowance and without 'retained worker' status will not be able to receive CTR.

Note. You may still be able to receive CTR if you satisfy an alternative status – see Norwich CTR regulation 21. A link to the scheme regulations can be found on the Norwich City Council website here:
http://www.norwich.gov.uk/CouncilTaxAndBenefits/Pages/CouncilTaxReduction.aspx

References:

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012.

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2013: Regs. 12; 13

The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2013 [SI2013/3181]: Regs. 5 & 6 amends 12; 13.