

**Report to** Cabinet  
12 September 2012  
**Report of** Executive head of strategy, people and democracy  
**Subject** Development of the budget and council tax reduction scheme for 2013/14

**Item**

**13**

### **Purpose**

To consider the approach to the development and consultation on the council's budget and the council tax reduction scheme for 2013/14

### **Recommendation**

- To consider the updated medium term financial strategy (Annex A).
- To consider the list of current savings options for 2013/14 (Annex B to be considered within the exempt part of the meeting) and agree that further work is carried out to develop these savings.
- To agree the proposed approach to consultation on the development of the council's budget for 2013/14.
- To agree a draft council tax reduction scheme for 2013/14 for wider consultation taking into account the views of Norfolk County Council and Norfolk Police Authority.
- To agree the proposed process for the budget and wider council tax reduction scheme consultation and the core consultation document (Annex D to be provided at the meeting).

### **Corporate and service priorities**

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

### **Financial implications**

The direct implications of the development of the budget for 2013/14 are to realise savings of £1.6million in line with the medium term financial strategy.

The implications of the council tax reduction scheme depend on the option chosen following consultation as set out in the report.

The implications of carrying out the consultation are that costs of approximately £9,000 will be incurred which can be met from within existing budgets.

**Ward/s:** All wards

**Cabinet member:** Councillor Waters – resources

**Contact officers**

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**Background documents**

None

# Report

## Development of the council's budget for 2013/14

1. The council's medium term financial strategy (MTFS) has been updated and can be found at Annex A. This sets out a requirement for the council to find a further £7.0 million of general fund revenue savings or additional income over the next four years including a budget gap of approximately £1.6 million for 2013/14. This is in addition to the £20 million of general fund revenue savings the council has already delivered over the past four years.
2. Guided by the council's corporate plan 2012-2015 and its 'changing pace blueprint' a range of work has been carried out across the council, through the transformation programme, to develop options for further savings including:
  - redesigning management structures (completed and approved previously by Cabinet)
  - developing options for further savings and improvements through shared service arrangements
  - utilising 'lean six sigma', a process improvement methodology, to streamline business processes and identify efficiencies
  - utilising ideas from workshops with frontline staff and councillors and examples of innovation from elsewhere
  - progressing our accommodation and work styles review to enable future savings and income from office accommodation
  - reviewing our fees /charges and opportunities for income generation
  - budget review sessions with heads of service to review their service activities and the different opportunities and impacts from carrying out activities differently, reducing them or stopping them.
3. From this work it is believed that the required savings of £1.6million for 2013/14 can be met through continuing to change the way the council works.
4. A full list of the current savings options for 2013/14 can be found in Annex B (within the exempt part of the report). It is proposed that further work is carried out to develop these savings.
5. These savings would further reduce the council's overall capacity and its ability to do new work for the City. However, we don't believe they should significantly impact the key services for 2013/14 that the public receive from the council, such as parks, street cleaning, refuse collection etc.
6. In line with the approach we have used in previous years it is proposed that we consult the public on how we plan to meet our £1.6million budget gap for 2013/14. This will also give the public the opportunity to put forward any ideas they may have on other things the council could do differently to save money or generate income.
7. The council also needs to decide whether to increase council tax for 2013/14. The council has frozen its portion of the council tax in Norwich at

the same level for the last two years. If the council were to increase its portion of the council tax by 2.5% this would raise additional income of approximately £250,000. This is equivalent to a rise of approximately eight (8) pence per week for the average band B home in Norwich. This could then be used to either fund additional activities and projects in the City for 2013/14 or to help to protect the provision of key services for future years beyond 2013/14. It is therefore proposed to consult the public on the potential for a council tax rise for 2013/14.

## **Council tax reduction scheme**

### **Context**

8. In April 2013 the government will abolish the current national Council Tax Benefit Scheme which helps those people with no or low income to pay their council tax. The government sets the rules regarding who can claim and how much benefit they would receive. At present the government funds 100% of the current Council Tax Benefit Scheme.
9. To replace council tax benefit the government has told local councils to come up with their own locally run scheme called the Council Tax Reduction Scheme. As part of this the government is reducing the amount of funding it provides to councils for this by 10%. In Norwich this will be equivalent to a reduction of about £1.5 million per year. However, the government has also said that pensioner households cannot lose any of their council tax benefit.
10. This means some very difficult decisions will need to be made about how the new scheme is funded or who will get financial support to pay their council tax in the future, and how much support they will receive.
11. The government's national policy statement on council tax reduction also states that council's must carry out consultation on the development of a scheme in the following order:
  - a. With any major precepting authority (who should have been able to influence the shape of the draft scheme)
  - b. Publish a draft scheme
  - c. Consult such other persons as considered likely.
12. The council has followed this approach in the way it has been developing a council tax reduction scheme.

### **Options**

13. There are a number of different ways the shortfall of £1.5 million per year could be addressed when developing a council tax reduction scheme including:
  - **Raising additional income from other council tax payers by changing council tax exemptions/ discounts** – other changes mean the exemptions and discounts from paying council for other council tax payers with 2<sup>nd</sup> homes, empty properties or who have had

to move out because of structural problems in their property can be reduced or removed by the council. This would raise approximately £630,000 per annum in additional revenue in Norwich. Most local authorities are planning to take forward this option and it is likely that this option will be progressed by Norwich City Council, subject to formal approval by elected members.

- **Reducing the council tax support to those on low or no incomes** – there are a number of ways the council could design a scheme that would reduce the level of financial support provided to people on low or no incomes in paying their council tax. A summary of the different options is included at Annex C including a high level analysis of the potential impact of each change and the likelihood of being able to collect this extra council tax from that group of people. Inevitably as the groups affected are all on low or no incomes then the impacts on them are likely to be significant and the ability of the council to actually collect the council tax from them will be reduced. When considered alongside other changes and socio economic effects there is also the potential for a range of wider impacts such as increased deprivation, higher levels of child poverty (Norwich already has the highest levels in the eastern region), increased demand on other services e.g. debt and money advice, support for troubled families etc.
  - **Subsidising the shortfall** – the shortfall could be met by subsidising it from the council tax collection fund which would reduce the amount of money the three statutory authorities receive. Any shortfall in the council tax collection fund would be shared out on the same basis as the overall fund is distributed with Norfolk County Council receiving 73%, Norwich City Council 14.4% and Norfolk Police 12.6%.
14. On the 13 June 2012 Cabinet agreed to establish a cross party working group to consider the different options and make a recommendation to Cabinet on the proposed approach.
15. The cross party working group has met over the summer period and assessed the different overall options resulting in the two following possible options for draft schemes:
- **Option 1: Raise additional income and the collection fund to subsidise the remaining shortfall**– to raise the additional council tax income of approximately £630,000 through changing the council tax discounts/ exemptions and for the collection fund to subsidise the shortfall of approximately £870,000 per annum. This shortfall would be spread as follows:
    - Norfolk County Council would receive a shortfall of approximately £635,100
    - Norwich City Council would receive a shortfall of approximately £125,280
    - Norfolk Police would receive a shortfall of approximately £109,620

- This was the preferred option of the cross party working group prior to consultation with Norfolk Police Authority and Norfolk County Council to help shape the final draft proposed scheme to begin wider consultation on.
  - **Option 2: Raise additional income and cut the council tax support** – this option would raise additional council tax income of approximately £630,000 through changing the council tax discounts/exemptions and would attempt to meet the shortfall of approximately £870,000 by cutting council tax support to people on low or no income. This would be achieved through changes to the current scheme such as:
    - Restricting the council tax bands to less than one – this would mean that 17,314 households who currently receive council tax benefit would pay an extra £28.57 in council tax per annum.
    - Increasing the taper rate at which benefit reduces for income from 20p for every pound earned to 30p - this would mean that approximately 2,700 households who currently receive council tax benefit would pay an extra £90 in council tax per annum. Due to the nature of this change there is the potential that this may act as a disincentive for people to work or increase their income. A key stated policy objective of the government when making these changes to council tax has been to encourage people into work.
    - Doubling non dependent charges – this would mean about 500 households who currently receive council tax benefit would pay an extra average of £125 in council tax per annum. Unfortunately because of other benefit changes this has the potential to cause frictions and problems within families.
    - Reducing the capital limit from £16,000 to £6,000 – this would mean 50 households would lose entitlement to help worth about an average £18 per week.
    - Abolishing second adult rebate – this is paid to households whose income is above the means tested level of council tax benefit but who have a non dependent living in the same household on a low income.
    - These changes are cumulative so some households could be affected by a number of the different changes.
    - These changes to the current scheme are considered some of the most collectable. However, there is still the risk that as much as 30% may not be able to be collected. In which case any losses would be shared by collection fund on the basis described earlier. There would also be additional collection costs which are estimated to be approximately £100,000 per annum.
16. As part of this process, in line with the government's national policy statement, a consultation has been carried out with the two precepting authorities, Norfolk Police Authority and Norfolk County Council on the options to help shape the development of the draft proposed scheme.

17. The views put forward by Norfolk County Council and Norfolk Police authority will be reported to cabinet at the meeting to inform the final decision on the shape of the draft proposed scheme for wider consultation.
18. Informed by these views and the information and impact assessments included with this report the Cabinet will need to formally agree a draft council tax reduction scheme for 2013/14 for wider consultation.
19. While this consultation is being carried out work will need to be carried out to prepare for the implementation of a council tax reduction scheme in Norwich. This will require drafting of a new scheme of regulations which will require legal advice, a large range of changes to business processes, the purchase and implementation of new ICT software, staff training and a number of other activities. The council has received a one off 'new burdens' grant of £84,000 from the government to support the development of a council tax reduction scheme and this money will be used to fund these activities

### **Proposed process for the budget and wider council tax reduction scheme consultation**

20. It is proposed to carry out the consultation on the development of the council's budget for 2013/14 and the wider consultation on the proposed draft council tax reduction scheme simultaneously as part of an integrated consultation process.
21. In line with the successful approach used for last years consultation on the future priorities and shape of the council the following principles have been applied in designing the overall consultation process:
  - **proportional** – the time, resources and methods used for the consultation should be in line with the purpose, impact and legislative requirements.
  - **inclusive** – the consultation should be fully inclusive and provide different methods of access to ensure those people who want to take part are able to.
  - **genuine** – the results of the consultation should be statistically valid and used to fully inform the decision making process
  - **consistent** – given that different methods of consultation will be employed, it will be important to ensure consistency in approach.
22. To ensure that a consistent approach is taken throughout the process a core consultation document is being developed which will act as the basis for all the different consultation methods. The consultation document (Annex D) will be provided at the meeting for agreement.
23. This core consultation document will be delivered through the following methods:
  - Web survey – promoted to the public, statutory, business and voluntary partners, Unison and employees.

- Your Voice citizens panel – which is broadly representative of the demographic makeup of the local community
- Paper copies available for people who specifically request them and at existing community events during the period.
- A focus group, set up by Your Voice, to test the more detailed elements of consultation
- An equalities forum.

24. It is considered that this is an appropriate mix of consultation methods that fully meet the principles of good consultation outlined at point 20 of the report.
25. The results from the consultation will then be reported to Scrutiny, Cabinet and full Council in line with the overall timescales set out below.

### Overall timescales

26. The overall timescales for the development of the budget and council tax reduction scheme are set out in the table below.

Action	Timescale
Budget and wider council tax reduction scheme consultation carried out	13 September – 6 December 2012
Scrutiny meeting to pre-scrutinise report to cabinet following wider consultation on council tax reduction scheme	20 December 2012
Cabinet consider results of budget consultation for 2013/14 and wider consultation on council tax reduction scheme	16 January 2013
Employee consultation related to budget savings (if required)	17 January – 17 February 2013
Council agrees council tax reduction scheme for 2013/14	29 January 2013
Pre-scrutiny of the proposed policy framework and budget for 2013/14	7 February 2013
Cabinet agrees proposed policy framework and budget for 2013/14	13 February 2013
Council agree policy framework and budget for 13/14	21 February 2013



## Integrated impact assessment



**NORWICH**  
City Council

### Report author to complete

<b>Committee:</b>	Cabinet
<b>Committee date:</b>	12 September
<b>Head of service:</b>	Russell O'Keefe
<b>Report subject:</b>	Development of the budget and council tax reduction scheme for 2013/14
<b>Date assessed:</b>	September 2012
<b>Description:</b>	To consider the approach to the development and consultation on the council's budget and the council tax reduction scheme for 2013/14

Economic (please add an 'x' as appropriate)	Impact			Comments
	Neutral	Positive	Negative	
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>The further work on the current savings options will see the council realise savings or additional income of £1.6million for 2013/14.</p> <p>If the council were to choose to raise council tax by 2.5%, following consultation, this would see the council receive additional income of approximately £250,000.</p> <p>If option 1 is the final approach taken to the council tax reduction scheme, following consultation, this would see the council receive a shortfall of £125,280, Norfolk County Council £635,100 and Norfolk Police Authority £109,620.</p> <p>If option 2, is the final approach taken to the council tax reduction scheme, following consultation this would result in additional collection costs to the council estimated to be approximately £100,000.</p> <p>The costs of implementing a new council tax reduction scheme will be offset by the 'new burdens' grant of £84,000 the council has received from the government for this work.</p>

	Impact			
<b>Other departments and services e.g. office facilities, customer contact</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>The work to further develop the current savings options will require work from support services such as HR, Finance and procurement.</p> <p>To implement a new council tax reduction scheme will require drafting of a new scheme of regulations which will require legal advice, a large range of changes to business processes, the purchase and implementation of new ICT software, staff training and a number of other activities. This work will require work from a range of different services.</p> <p>If option 2 is the final approach taken to the council tax reduction scheme, following consultation, this would see cuts to the support for people on low and no income. This when combined with other changes and socio economic effects may increase the demand for other services such as debt and money advice, support for troubled families etc.</p>
<b>ICT services</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>The work to further develop the current savings options will require work to develop the necessary supporting ICT.</p> <p>The implementation of a council tax reduction scheme will require new software to be put in place.</p>
<b>Economic development</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>If option 2 is the final approach taken to the council tax reduction scheme, following consultation, this would see cuts to the support for people on low and no income. Some of these changes, particularly changing the taper rate for income, may act as a disincentive for people to earn income and work which will negatively effect economic development.</p>

	Impact			
<b>Financial inclusion</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If option 2 is the final approach taken to the council tax reduction scheme, following consultation, this would see cuts to the support for people on low and no income. When considered alongside other changes and socio economic effects there is also the potential for a range of wider impacts such as increased deprivation, higher levels of child poverty (Norwich already has the highest levels in the eastern region).
<b>Social</b> (please add an 'x' as appropriate)	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
<b>Safeguarding children and adults</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b><u>S17 crime and disorder act 1998</u></b>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If option 2 is the final approach taken to the council tax reduction scheme, following consultation, this would see cuts to the support for people on low and no income. When considered alongside other changes and socio economic effects there is also the potential for a range of wider impacts such as increased crime.
<b>Human Rights Act 1998</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Health and well being</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Equality and diversity</b> (please add an 'x' as appropriate)	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
<b>Relations between groups</b> (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Eliminating discrimination &amp; harassment</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The risks of delivering the council's savings target and implementing a council tax reduction scheme are managed in line with the council's risk management strategy.

## Recommendations from impact assessment

### Positive

To progress the further work on the current savings options will see the council realise savings or additional income of £1.6million for 2013/14.

### Negative

To complete an initial equality impact assessment for the council tax reduction scheme (included below) which would be finalised following consultation.

To carry out the proposed consultation on the development of the budget and council tax reduction scheme for 2013/14

If option 2 is the final approach taken to the council tax reduction scheme, following consultation, to work with partners to see if any mitigating actions could be developed for the potential wider impacts e.g. increased deprivation, child poverty, crime, demand on other services (debt and money advice, support for troubled families etc.)

### Neutral

### Issues

## **Annex A – Updated MTFS 2012-13**

The Medium Term Financial Strategy (MTFS) is updated and reported quarterly to CLT. This appendix presents the latest version of the 2012-13 MTFS which has been prepared to guide initial work to identify savings for 2013-14 and beyond. I

Updates to the MTFS are:

- New Homes Bonus adjusted to start falling out from 2017/18
- Balance brought forward adjusted to match provisional outturn
- Impact of “single pool” approach to HRA Self-Financing Debt
- PFI Grant extended to 2016/17
- Interest savings arising from repayment of £18m borrowing
- Provision for incremental drift adjusted to forecast actuals
- Provision for costs of pension fund auto-enrolment
- Interest income reduced by repayment of debt from County
- Provision for 10% reduction in funding in CSR 2014/15
- Savings arising from LGSS
- Opening balances adjusted for Steria termination costs
- Capping of balances at Prudent Minimum (+ 20% over MTFS period)

### **Sensitivities & Risks**

The MTFS is sensitive to payroll inflation, since staffing costs almost equal the budget requirement. The MTFS is relatively insensitive to non-pay inflation, since changes in non-pay expenditure and income offset each other.

The largest risk to the MTFS remains the impending localisation of Business Rates, which will increase the council's exposure to economic and market forces impacting on business and growth.

A further significant risk is the impending localisation of Council Tax Benefit, which will increase the council's exposure to losses from discrepancies in modelling and implementing a local council tax discount scheme, and to economic and market forces impacting on the council tax base and collection rates.

Additionally the MTFS is based on a provisional opening reserves balance. This is subject to change until the 2011/12 statement of accounts is audited and approved.

### **MTFS Key Assumptions**

- Population increases of 1% per year reflected in front-line service expenditure
- Dwelling increases of 0.5% per year reflected in housing and Council Tax base
- Payroll inflation at 2.5%-3% over the MTFS period plus incremental drift
- Non-Pay Inflation decreasing from 5% to 3% over the MTFS period
- Unavoidable growth at £½m recurring and £½m one-off each year
- Reserves planned to recover over 2 years and then remain at 2012/13 Prudent Minimum Balance +20%
- Outturn for 2012/13 will be at least £1.094m underspend (benefit to GF of interest pooling with the HRA)
- At present, no Council Tax rises have been included

## Summary Medium Term Financial Strategy 2012/13

General Fund	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Year 1 £000s	Year 2 £000s	Year 3 £000s	Year 4 £000s	Year 5 £000s	Year 6 £000s
Employees	£20,016	£20,974	£22,017	£23,000	£23,819	£24,664
Premises	£7,567	£8,011	£8,401	£8,726	£9,063	£9,414
Transport	£302	£318	£332	£343	£355	£367
Supplies & Services	£19,186	£18,989	£19,833	£20,516	£21,223	£21,955
Capital Charges	£2,903	£2,177	£2,202	£2,228	£2,253	£2,279
Transfer Payments	£76,501	£76,501	£76,501	£76,501	£76,501	£76,501
Third Party Payments	£564	£566	£569	£572	£575	£578
Centrally Managed	£1,505	£1,589	£1,661	£1,720	£1,781	£1,845
Recharge Expenditure	£21,604	£21,688	£21,773	£21,859	£21,945	£22,032
Recharge Income	-£27,830	-£27,869	-£27,909	-£27,950	-£27,990	-£28,031
In-Year Savings	£67	£67	£68	£68	£68	£69
Receipts	-£21,516	-£22,511	-£23,552	-£24,641	-£25,781	-£26,974
<i>Government Grants:</i>						
New Homes Bonus	-£1,189	-£1,425	-£1,664	-£1,903	-£2,144	-£1,711
PFI Grant	-£1,429	-£1,429	-£1,429	-£1,429	-£1,429	£0
Benefit Subsidy	-£76,083	-£76,083	-£76,083	-£76,083	-£76,083	-£76,083
Benefit Admin Grant	-£1,519	-£1,519	-£1,519	-£1,519	-£1,519	-£1,519
Other Government Grants	-£698	-£698	-£698	-£698	-£698	-£698
<b>Subtotal Budgets</b>	<b>£19,951</b>	<b>£19,346</b>	<b>£20,503</b>	<b>£21,310</b>	<b>£21,939</b>	<b>£24,688</b>
Unavoidable Growth	£0	£500	£1,000	£1,500	£2,000	£2,500
One-Off Demands	£0	£500	£500	£500	£500	£500
Contrib to Reserves	-£300	£1,311	£1,071	£0	£0	£0
Savings Requirement		-£1,001	-£3,354	-£3,521	-£4,266	-£7,043
<b>Budget Requirement</b>	<b>£19,651</b>	<b>£20,656</b>	<b>£19,720</b>	<b>£19,789</b>	<b>£20,173</b>	<b>£20,645</b>
Share of NNDR (inc CTFG)	-£11,245	-£11,328	-£11,495	-£11,517	-£11,854	-£12,278
NNDR reduction post-CSR	£0	£0	£1,150	£1,150	£1,150	£1,150
Revenue Support Grant	-£218	£0	£0	£0	£0	£0
<b>Council Tax Requirement</b>	<b>£8,188</b>	<b>£9,328</b>	<b>£9,375</b>	<b>£9,422</b>	<b>£9,469</b>	<b>£9,517</b>
Council Tax	-£9,282	-£9,328	-£9,375	-£9,422	-£9,469	-£9,517
<b>Total Annual Budget</b>	<b>-£1,094</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
Balance Brought Forward	-£3,254	-£4,046	-£5,357	-£6,428	-£6,428	-£6,428
Contributions to/from I&E	-£792	-£1,311	-£1,071	£0	£0	£0
<b>Balance Carried Forward</b>	<b>-£4,046</b>	<b>-£5,357</b>	<b>-£6,428</b>	<b>-£6,428</b>	<b>-£6,428</b>	<b>-£6,428</b>
<i>Relative to Budget Req't</i>	21%	26%	33%	32%	32%	31%
<b>New Savings Requirements</b>	<b>£0</b>	<b>-£1,001</b>	<b>-£2,353</b>	<b>-£167</b>	<b>-£745</b>	<b>-£2,777</b>
<b>New Savings (Smoothed)</b>		<b>-£1,677</b>	<b>-£1,677</b>	<b>-£1,230</b>	<b>-£1,230</b>	<b>-£1,230</b>
<i>Balances (Smoothed)</i>		<b>-£6,033</b>	<b>-£6,428</b>	<b>-£7,491</b>	<b>-£7,975</b>	<b>-£6,428</b>



## Annex C - Council tax reduction scheme



### Options to reduce support for customers currently getting council tax benefit

Specific measure	Who is affected	Contribution to 10% cut		Wider impact on households	Council tax collection issues
		Cash	% reduction		
treat child benefit as income	1,874 families with dependent children (non-passported). Families with 1 child would lose £4.06pw, with 2 children £6.74pw, 3 children £9.42pw. Families with 4 children may lose all entitlement to help with council tax.	£ 306,397.54	2.04%	575 families in Norwich already lose an average £3,870 pa from tax credits because the hours per week threshold has been raised to 24 hrs. 19% of households in council housing will face reductions from their housing benefit due to new rules on under-occupying property. This will apply to an unknown no. of RSL tenants in the city also. This cut would exacerbate child poverty which, as things are now, is the worst in the East of England.	people with incomes above safety-net level but within scope for means-tested benefit in 2012. Not the poorest - at present - but the impact of multiple cuts may push incomes below current safety-net levels and make debt very difficult to collect - estimated in-year collection could be iro 50%.
reduce capital limit from £16k to £6k	50 households with capital between £6k and £16k would lose entitlement to help worth an average £930 = £17.88pw	£ 46,507.11	0.31%	Perhaps the least harmful option but would reduce funds available to a household to deal with emergencies and support family members. May lead to capital disposal or incentives to defraud. People who are excluded from entitlement will be using their capital to pay their council tax and become eligible for help after a time lag.	The most easily collected additional council tax - we know these customers have a resource to pay the bill. In-year collection could be iro 90%.
abolish Second Adult Rebate	paid to householders who's income is above means-test level for CTB but who have a non-dependent living in the same household on a low income	£ 8,994.65	0.06%	Minor impact, 30 households would have additional Ctax to pay but with an income above means-tested levels and higher than any other group listed..	These taxpayers have incomes too high to qualify for CTB under current rules - the benefit they get is based on the low income of someone they share their property with. The extra council tax should be readily collectible. In-year collection could be iro 90%.
Passported claims - people to pay a minimum of 20% Ctax	7,300 households at or below current income support means-test level to pay an average of £180 Ctax = £3.45pw	£ 1,307,346.20	8.72%	These households have a safety-net level income. A proportion will also have deductions from their housing benefit on grounds of under-occupancy. (15% deduction for one "spare" bedroom and 25% for two.) The impact on people under 25 is exacerbated as they have a weekly disposable income of £56.25 to fund reduced housing benefit and any additional council tax..	Very hard to collect these sums from people living at or below 2012 safety-net levels whose incomes will reduce further. Collection rates could be below 50%.
Passported claims - people to pay a minimum of 10% Ctax	7,300 households at or below current income support means-test level to pay an average of £89.80 Ctax = £1.72pw	£ 653,673.03	4.36%		
Non-passported claims - people to pay a minimum of 20% Ctax	2,679 households with incomes marginally above IS means-test level to pay an average of anextra £180 Ctax = £3.45 pw	£ 480,605.40	3.20%	These households have above or equal to safety-net incomes - extra 20% Ctax will means a %age will end up worse off than existing passported claims. Slight work disincentive as support for people in low paid jobs is reduced.	Hard to collect these sums where people are currently marginally above safety-net levels of income and may end up worse off than 2012 safety-net. Collections rates could be iro 50%.
Non-passported claims - people to pay a minimum of 10% Ctax	2,679 households with incomes marginally above IS means-test level to pay an average of anextra £91 Ctax = £1.75pw	£ 244,537.48	1.63%		
abolish backdating	unknown - so far - no. of households. Backdated benefit awarded when people have "good cause" for a late claim (eg serious ill health).	£ 36,812.00	0.25%	Small no. of claims where backdating is awarded on grounds of good cause. Would be harsh and potentially open to challenge to automatically disregard personal circumstances. Could just lead to write-offs of council tax.	Hard to collect sums for periods when they had incomes around or below safety-net levels with good reason, for instance acute ill health, for claiming late. Collection rates could be below 50%.
restrict band we assess on to max band D	74 households (4 X band G, 7 band X F & 63 X band E) to pay an extra £126 Ctax = £2.42pw	£ 9,324.25	0.06%	Effectively a size criteria which could be additional to those in HB. Need to be flexible to take into account family size on equalities grounds which could reduce potential saving.	People living in larger properties do not necessarily have higher disposable incomes and can be renting as well as owner-occupiers. Because circumstances in this group are variable it's difficult to predict collection rates - estimate iro 70%.
restrict band we assess on to max band C	256 households (4 X band G, 7 X band H, 63 X band E & 182 X band D) to pay an extra £95.78 Ctax = £1.84pw	£ 24,519.15	0.16%		
restrict bands to one less than actual band	17,314 households would pay an extra £28.57 Ctax. 332 Band A residents unaffected.	£ 494,725.73	3.30%	This would affect social rented tenants disproportionately who may face other reductions in HB.	An across-the-board cut covering people with varying circumstances. Estimated collection rate iro 60%.
double non-dependent charges	510 households with non-dep charges, average extra £125 Ctax to pay = £2.40 pw.	£ 63,841.60	0.43%	Non-dependent deductions for housing benefit are already up to £60.60. can be a cause of friction in families and has been a factor in cases of abuse of older parents in the city.	Hard to collect as the rules assume a contribution from someone who isn't the taxpayer or claimant. Where the non-dependent doesn't contribute at the assumed rate the taxpayer won't have the resources to pay. Estimated collection rate 70%.
increase "taper" - rate at which benefit reduces for £1 income above IS level from 20% to 30%	2,679 households to pay an extra £90.24 Ctax = £1.73pw	£ 241,766.39	1.61%	This would be a significant disincentive to work, or increase earnings.	Arguably collectable because people have higher incomes but the disincentive effect could create significant resistance. Estimate 90%.
increase taper from 20% to 50%	2,679 households to pay an extra £172.32 Ctax = £3.31pw	£ 461,670.04	3.08%	Combined with other tapers (for instance housing benefit and universal credit) a taper at this level would create a negative income - the loss of other benefits would exceed the extra income from working.	Tapers at this level become counter-productive as net effect (with other benefits) is to reduce incomes. Estimate below 50%.