

POLICY NOTE

THE COUNCIL TAX REDUCTION (SCOTLAND) AMENDMENT (No. 2) REGULATIONS 2016

SSI 2016/253

1. The above instrument is made in exercise of the powers conferred by sections 80 and 113 of, and paragraph 1 of Schedule 2 to, the Local Government Finance Act 1992. It is subject to the negative procedure.

Policy Objective

2. The UK Government's abolition of Council Tax Benefit from April 2013 included a transfer of funding to allow the Scottish Government to take over responsibility for addressing the difficulties which persons on low income or who are otherwise vulnerable might face in meeting liability to Council Tax. The Scottish Government developed a Council Tax Reduction Scheme for such people, which provides that their liability to Council Tax is lower than it would otherwise have been.

3. The scheme operates by reducing liability, which it is within devolved competence to do, rather than by providing a replacement social security benefit to meet liability (which would be reserved to Westminster under the current devolution settlement). The Council Tax Reduction (Scotland) Regulations 2012 (working age) and the Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012 (pension age) (jointly referred to as "the principal Regulations") came into force on 28 January 2013.

4. This instrument amends the principal Regulations to reflect the Scottish Government's manifesto commitments (1) to increase the child allowance within the council tax reduction scheme by 25% and (2) to exempt households living in higher band houses but with an income less than £25,000 from the change in how the council tax rate for properties in council tax bands E to H is calculated. The intention is to provide relief, equal to the increase in council tax arising from the changes to the multipliers which will be introduced by the Council Tax (Substitution of Proportions) (Scotland) Order 2016. The most practical way to deliver the Band E-H relief is within the existing CTR rules and infrastructure for calculating income.

5. The increase in child premium is done by amending the figures in the principal Regulations, with the effect being to increase certain figures which are used in calculating whether an applicant is entitled to a reduction and, if so, the amount of that reduction.

6. The exemption from the increase for Bands E to H is done by adding another stage to the calculation of CTR. The relief will work by determining household income as for normal CTR cases, but then comparing that weekly income figure with a threshold amount - £321 per week for a single applicant with no child dependents and £479 per week for all others. These thresholds are derived from the equivalised median net income figures for that household type, with £479/week corresponding to an annual net income of £25,000. Those with income below the relevant threshold would be entitled to the relief. The relief for such households is then calculated as being equivalent to the difference in their Council Tax under the new and

under the old multipliers. Other discounts –such as the single person discount – are reflected in the calculation.

7. Provisions that apply other features of the CTR scheme are included, specifically ,
 - i) A taper equivalent to 20% to ensure that the entitlement to relief is not a cliff edge at the income thresholds.
 - ii) A “better buy” element. Presently, the Council Tax reduction is the greatest of the normal CTR entitlement and the second adult rebate (sometimes referred to as “alternative maximum CTR”). These regulations would add a third comparison, so that the reduction was the greatest of the present better buy and the new relief for low income households in E-H properties.

Consultation

8. Formal consultation was not considered to be necessary as these amendments do not alter the policy intention of the principal Regulations. However, the Scottish Government has worked with the Convention of Scottish Local Authorities (COSLA), the Institute of Revenues, Rating and Valuation (IRRV), local authority revenue and benefits practitioners and their software suppliers in development of these Regulations.

Financial Effects

9. The amount of Council Tax Reduction which an applicant will receive is based on their income less their deemed living expenses. It is estimated that the maximum additional Council Tax income foregone by local authorities as a result of these Regulations will be £18 m for the increase in child premium and £7 million for the Band E to H exemption.

Impact Assessments

10. An Equalities Impact Assessment (EQIA) was undertaken in development of the principal Regulations, and equalities impacts are being reviewed during the implementation of the Council Tax Reduction scheme. As these amending Regulations do not alter the policy intention of the principal Regulations, a further EQIA has not been produced.

11. As there is no impact on business or the third sector, and no impact on the environment or on environmental issues, no Business and Regulatory Impact Assessment or Strategic Environmental Assessment is required.