

**AGENDA ITEM**

**REPORT TO CABINET**

**9 AUGUST 2012**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION/ KEY DECISION**

**Housing and Community Safety – Lead Cabinet Member – Councillor Nelson  
Corporate Management and Finance – Lead Cabinet Member – Councillor Harrington  
Access and Communities- Lead Cabinet Member – Councillor Coleman**

**LOCAL COUNCIL TAX SUPPORT SCHEME**

1. Summary

This report outlines the requirements for the Council to develop and consult upon a Local Council Tax Support scheme to replace Council Tax Benefit from 1 April 2013. It also outlines the financial implications on both the Council and local tax payers and the very demanding timescales for implementation of the local scheme. A draft LCTS scheme and consultation plan is presented for approval.

2. Recommendations

1. That Cabinet approve consultation on the draft Local Council Tax Support Scheme at Appendix 2 and approve the draft consultation plan and document attached at appendices 3 and 4. Approval of the final Local Council tax Support scheme document, consultation documents and approach to be delegated to the Corporate Director of Resources in consultation with the Cabinet Members for Housing and Community Safety and Corporate Management and Finance.
2. That Cabinet approve the provision of approximately £85,000 per annum for two years to fund additional advice and information provision in the borough to support residents affected by reductions in income. Approval of the final approach and implementation to be delegated to the Corporate Director for Development and Neighbourhood Services in consultation with the Cabinet Members for Housing and Community Safety, Corporate Management and Finance and Access and Communities.

3. Reasons for the Recommendations/Decision(s)

The Local Government Finance Bill presently before parliament imposes a duty upon local councils to adopt a Local Council Tax Support scheme to replace Council Tax benefit when it is abolished in April 2013. Public consultation must take place prior to the approval of the final scheme. A draft LCTS scheme has been developed, having considered a number of options, which will help to safeguard the financial position of the council whilst

trying to ensure that the effect of the scheme will not disproportionately affect any particular group of residents.

### Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in paragraphs 9 and 11 of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

### **Disclosable Pecuniary Interests**

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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**Recommendations**

1. That Cabinet approve consultation on the draft Local Council Tax Support Scheme at Appendix 2 and approve the draft consultation plan and document attached at appendices 3 and 4. Approval of the final Local Council tax Support scheme document, consultation documents and approach to be delegated to the Corporate Director of Resources in consultation with the Cabinet Members for Housing and Community Safety and Corporate Management and Finance.
2. That Cabinet approve the provision of approximately £85,000 per annum for two years to fund additional advice and information provision in the borough to support residents affected by reductions in income. Approval of the final approach and implementation to be delegated to the Corporate Director for Development and Neighbourhood Services in consultation with the Cabinet Members for Housing and Community Safety, Corporate Management and Finance and Access and Communities.

**BACKGROUND**

**Local Council Tax Support Scheme**

4. The Welfare Reform Act 2012 contains provision to abolish the present national Council Tax Benefit Scheme. It will be replaced by a localised system of Council Tax Support provisions which are contained in the Local Government Finance Bill.

Requirements are that:-

- **Each Council must adopt a Local Council Tax Support Scheme (LCTS) by 31 January 2013.** The scheme must be reviewed each year and formally adopted by 31 January of the preceding financial year.
- **Current and future pensioners are protected** as they will receive the same level of support as under the current Council Tax Benefit scheme.
- **Councils are free to design their own schemes for people of working age**, and the government will not prescribe any other vulnerable groups who must receive protection.
- A fundamental change is that whilst the present scheme is demand led and payments made are fully reimbursed by Department for Work and Pensions subsidy, **the new scheme will be funded by a fixed grant, expected to be set at 90% of DWP estimates of expenditure.** Estimates show that the impact is likely to be substantially in excess of the implied 10% reduction. Details of the financial implications can be found at paragraph 4.1 to 4.6 of this report.
- If a council does not adopt a scheme by 31 January 2013 the Government will impose a default scheme. The default scheme will reflect the rules of the current council tax benefit scheme, and crucially, will mean that councils will have to fund the 10% shortfall from savings elsewhere.

### Scheme design

5. Certain requirements for LCTS schemes have been specified by the Government, and in particular the scheme will need to :-
  - Detail the Council tax reduction available / to be awarded locally;
  - Include categories of claimant entitled to a Council tax reduction and the Council tax reductions which are to apply to those categories. The Secretary of State will be given powers to specify categories of persons and the reduction they will be entitled to, but the Government intend to only use this power to prescribe support to be provided to pensioners;
  - Set out procedures for applicants to follow in making applications;
  - Set out procedures for appealing decisions (it is intended that the Valuation Tribunal is the independent appeal body)

### Consultation

6. In advance of the new scheme being adopted by the Council, the following actions must be carried out:-
  - **Consult Police and Fire Authorities**, who are the major preceptors and who will share the effects of any increases or reductions in demand for LCTS and costs based on the local scheme offered. Consultation has taken place with these major preceptors and will continue throughout the process.
  - **Publish a draft scheme.**
  - **Consult such other persons as it considers are likely to have an interest in the operation of the scheme.**

Clarification has been received from DCLG in a published statement of intent with regard to regulations that consultation can take place in advance of the Local Government Finance Bill receiving Royal Assent.

7. When consulting on reduction schemes billing authorities should ensure all interested parties are able to give their view and influence the design of the reduction scheme. The guidance says that a billing authority will need to take account, in developing a local scheme, ***that a realistic time frame must be put in place to ensure feedback can be sought from all appropriate individuals and groups in the community.*** The length of any consultation should also reflect the changes proposed.
8. Although Government's code of practice on consultation states that normally 12 weeks is appropriate the guidance from CLG in this instance is that billing authorities may wish to consider the appropriate length of their consultation depending on the impact of their proposals and the ability to complete the consultation exercise within budgetary timetables. It is proposed that the consultation period will run from 13 August to 19 October, a total of 10 weeks. The shorter timetable will ensure that there is time to fully analyse responses to consultation and make necessary amendments to the draft scheme before proposals are brought to Cabinet for approval on 29 November.

### **Financial Implications - Funding the Local Scheme**

9. The Consultation Paper issued in May 2012 outlined the proposed arrangements for Council Tax for funding as well as an indicative allocation for each Authority for 2013/14. Key aspects of this consultation are:-
  - Final funding allocations will be incorporated into the Local Government Finance Settlement in the Autumn.
  - Support would be in the form of discounts to the current Council Tax level; this will effectively reduce the Council Tax base.
  - Funding distributed to Local Authorities is based on 90% of the forecast Council Tax benefit for 2013/14, and not actual expenditure. The indicative allocation for Stockton on this basis is £12,117,000, and assumes a national reduction in Council Tax benefit claimants of approximately 2%.
  - The level of Council Tax benefit in 2011/12 including Police and Fire Authorities was £16.8m, of which £13.9m related to Stockton. Based on 2011/12 benefit levels, a reduction of 10% would have meant an allocation of £12.5m to Stockton, £400,000 higher than the indicative allocation. There is therefore the potential of a pressure irrespective of the scheme due to the assumptions made by the Government in the baseline allocation. There is also no indication of any increase in funding to reflect any increase in Council Tax benefit payments in 2012/13 onwards. The estimated position for Stockton in 2012/13 is £17.8m for the area, and £14.7m relating to Stockton.
  - The grant will be payable to the Council as part of a Revenue Support Grant, funded from within the proposed charges to Business Rate retention.

- **Funding will be paid direct to Police & Fire Authorities.**
- **There are issues relating to Parish Councils** as the new system would effectively reduce each Parish tax base resulting in a reduction in income to individual Parishes. The higher the level of benefit claimants affected in each Parish, the higher the impact to the Parish. £100,000 has been identified as an indicative allocation to Stockton to mitigate this impact. Work is required to assess the potential impact in each Parish area. Consultation with Parish councils will take place as part of the overall consultation process.

**The funding pressures on Stockton can be summarised as follows:-**

10. Government Funding Allocation methodology and distribution:

**a) 10% reduction**

The pressure associated with a 10% reduction that the Council were anticipating was 10% of the 2011/12 Council Tax Benefit payments, i.e. (£13.9m, x 10% = £1.39m)

**b) Government reduction in excess of 10% for 2011/12**

<i>Anticipated Grant (based on 2011/12)</i>	£12.5m
<i>Indicative allocation</i>	<u>£12.1m</u>
<i>Pressure</i>	£0.4m

**c) Growth in Council Tax in 2012/13**

<i>Estimated Council Tax Benefit 2012/13</i>	£14.7m
<i>Actual level of Benefit 2011/12</i>	<u>£13.9m</u>
<i>Pressure</i>	£0.8m

The estimated Council Tax benefit payments are higher than the 11/12 figures used in Government Calculations. This growth will be partly due to the Council Tax increase in 2012/13 and also growth in level of claimants.

***Unless there are changes in the allocation the above pressure of £1.2m will be an impact on the Council, irrespective of the scheme introduced.***

The impact on funding from introducing the scheme in 2013/14 is therefore approximately £2.6m.

**Future Funding and Impact on MTFP**

11. There is no indication that the level of funding for Council Tax Benefit Grant will increase in future years. The Council will therefore bear the risk of any growth. This could be :

- Increased claimant numbers
- Increased take up

**A 5% increase in benefit take up would result in additional costs of approximately £700,000 and it is suggested that a contingency will therefore need to be included in the medium term financial plan.**

12. There is also an impact on the current level of Council Tax income included in the Medium term Financial Plan. A 3.5% increase is assumed in each year and this is on the current tax base (effectively for benefit claimants, Council Tax increases are currently funded by benefit grant). Once the new tax base is taken into account, this will reduce the council tax income by approximately £550,000 per year (rising to £2.3m by 2016/17).

Summary	
Government Benefit Grant Reduction	£2.6m
Reduction in Tax base	£0.55m
Growth Contingency	<u>£0.7m</u>
Total	£3.85m

13. Members will be aware of the current projected budget gap outlined in the 2012/13 budget report (£11.6m by 2016/17) and a range of uncertainties surrounding Local Government Finance. The above pressures would add to that gap and this will be considered further as part of the development of the 2013/14 budget report.
14. With potentially 12,000 Council Tax payers on lower incomes facing increased bills or the prospect of starting to pay Council Tax, there will be a negative impact on collection performance and an increase in the costs of collecting Council Tax estimated at £100,000. Some of these additional costs are to recognise the need to take a more proactive approach to collection and recovery. The longer the delay in identifying and addressing non-payment, the harder it is to collect, and the greater the potential costs to customers (court costs/bailiff costs). In terms of customer care and collection performance, it is essential that customers facing financial difficulties are identified and engaged with as soon as possible so that they can be provided with advice and/or signposted to appropriate support services.

### Impact on MTFP

15. Current Budget Gap (£'000) :

	13/14	14/15	15/16	16/17
GAP	0	890	7,853	11,604

### Council Tax Discounts and Exemptions

16. Various organisations are indicating that the financial impact on Councils of introducing the scheme could be mitigated by changes to Council Tax discounts and exemptions on empty dwellings. This option will be open to Authorities when the Local Government Finance Bill receives Royal Assent in the autumn, but is not linked to the changes in Council Tax Benefit.

Changes to such discounts and exemptions could generate the Council around £1.3m per annum. This issue is currently being considered as part of a scrutiny review of empty properties.

### Implementation Timescale

17. The timetable for implementation is extremely tight. Major milestones are indicated below:-

Approval of draft scheme for public consultation by Cabinet	9 August 2012
Public Consultation & consideration of responses	13 August to 19 October 2012
Preparation of Final Scheme	October/ November
Approval of Scheme by Cabinet	29 November 2012
Full Council approval	23 <sup>rd</sup> January 2013
NB ensure appropriate IT system is in place to enable bills to be produced	End January 2013

18. Built into this timetable is the requirement to specify, procure, install and test software, to reassess 22, 000 existing council tax benefit claims, to assess these claims, notify claimants of their new entitlement all in time for annual billing late February 2013 and deal with resulting enquiries.

19. ***There would appear to be strong financial and delivery benefits in developing a scheme which would be based upon the components of the present council tax benefit scheme:-***

- Support for working age people would be aligned, in broad principles, with support for pensioners.
- Local council tax support would be aligned, as far as possible, with housing benefit. As 75% of LCTS claimants would also be expected to claim HB this would allow claims to be processed together, keeping administration costs down.
- Changes to IT systems would be minimised, reducing costs and risk. Some funding will be provided by DCLG, but costs of IT changes are not yet available.
- Claimants will be familiar with the scheme principles which should lead to less confusion and fewer enquiries.
- Claims for CTB can be converted to claims for LCTS providing no new data is required, minimising costs and risk.



- Utilising the same broad principles will allow greater certainty in forecasting the implications, effects and cost of the new scheme.
- Maximum use can be made of data sharing arrangements with DWP.
- DCLG recommend taking this approach.
- In the longer term, as housing benefit is replaced by Universal Credit, the scheme will need to be revised.

### Council Tax Benefit Payments

20. In 2011/12 Council Tax benefit payments (including Police and Fire) amounted to £16.8 million net. This includes £40,900 paid out as Second Adult Rebate. The required 10% saving was thought to therefore be approximately £1.68 million. A contingency will be required for increased demand/ take up for the new scheme, and also to take account of future pensioners who will also receive the higher rates of support.

Expenditure (during 2011/12) is made up as follows:-

Client Group	% payment	Claimant numbers March 2012
Pensioners	43.81%	8380
Working age, receiving income related benefits	41.17%	8492
Disability Premium	3.6%	873
Working full time	1.82%	606
Families with children	6.34%	2079
Second Adult Rebate	0.25%	154
Others – mostly part time workers	3.01%	1845
	100%	21889

The burden of the 10% savings will therefore fall on 56% of the caseload (by expenditure) who are working age.

Payments over time are as follows:-

Year	Gross expenditure	Net expenditure	% pensioners	% working age	Claimants as at 1 April
2008/9	16,048,937	13,814,304	Not known	Not known	18557
2009/10	18,188,973	15,668,344	Not known	Not known	19435
2010/11	19,335,337	16,480,582	46.3%	53.7%	20910
2011/12	19,710,627	16,856,545	43.81%	56.19%	21444

## LOCAL COUNCIL TAX SUPPORT SCHEME

### Scheme Modelling

21. A number of options have been modelled and are under consideration. The advantages and disadvantages of each option are considered at Appendix 1.

- **Option A** – Continue to operate the current Council Tax Benefit Scheme on a local basis and fund any shortfall. This would be the same as the “default scheme” which will be put in place if any local authority fails to adopt a scheme by 31<sup>st</sup> January 2013.
- **Option B** – Saving to be fully spread across the full working age caseload (the “Shared Reduction” option)
- All working age claimants would have a percentage of the charge to pay, achieved by either reducing the percentage liability on which the calculation is based, or reducing the final entitlement figure by a percentage. Indicative calculations show that a starting point of 80% liability would achieve the 10% saving required.
- **Option C** – Protect entitlement levels for specific vulnerable groups with increased reductions in entitlement for others. This option would mean that people in “vulnerable groups” would have no additional Council Tax to pay. It is up to council’s to decide what “vulnerable groups” would be locally but these might be:
  - Single parents where the youngest child is under 5;
  - Carers
  - Disabled People.

People not in vulnerable groups would be able to claim support based on a much lower liability level.

### Second Adult Rebate

22. The current council tax benefit scheme includes provision for Second Adult Rebate, which is paid to lone council tax payers who do not qualify for a 25% Single Person Discount because another person (a second adult with a low income) lives in their property. A “better buy” calculation is carried out in all claims for council tax benefit to determine whether someone would be better off claiming second adult rebate rather than main council tax benefit. Second adult rebate is not easily understood and nationally, take up rates are very low. The saving is estimated at 0.25%.

## Preferred Option

23. Taking into account the available evidence the recommended approach is for Option B the “Shared Reduction” option, together with the abolition of Second Adult Rebate, as although the financial benefits are limited it will simplify the local scheme.
24. A number of case studies are attached to this report as Appendix 2 to indicate the effect of the scheme on certain individuals. There are also details of the effect of the minimum 20% contribution to council tax at each Council Tax band.

## Developing the Local scheme

25. A draft of the proposed LCTS scheme is attached at Appendix 3  
In developing a draft of the new scheme the following principles have been followed:-

### Everyone of working age should pay something

26. The scheme proposes that the reduction in support should be shared equally amongst all groups of claimants, and that the starting point for the calculation should be 80% of council tax liability.

### Support should be targeted to council tax payers with low incomes

27. Currently the Second Adult rebate scheme provides support to single householders, irrespective of their income and capital, where the only other adults in their home have a low income. It is proposed that this provision is not included in the new LCTS scheme, and that support should be made available only to those people with low incomes.

### Other adults in the household should be expected to contribute to council tax

28. For this reason the system of non dependant deductions in operation in the housing benefit and council tax benefit schemes, has been retained. Where the non dependant also has a low income a low level (or no) deduction is made.

### The scheme should incentivise work

29. Key work incentives included in the present scheme have been enhanced:-
  - 4 week run on of benefit when a claimant (or partner) starts full time work
  - A “rapid reclaim” process for anyone claiming benefit again after a break of 12 weeks or less.

- It is also possible to increase the level of standard earnings disregards by £5 per week over and above those in the current council tax benefit scheme.

The scheme should be based on key features of the present housing benefit scheme.

30. This will reduce the risks to the council in introducing a brand new scheme, and will mean that people can continue to apply for housing benefit and local council tax support benefit on the same form, and that both benefits can be calculated at the same time, with similar rules of entitlement
31. The proposed LCTS scheme mirrors the current CTB scheme as far as possible, incorporating a means test comparing income to a “living allowance” which reflects the circumstances of individual households, and acknowledges additional costs associated with bringing up a family, caring for others or coping with disability. Income paid specifically to deal with additional costs relating to special circumstances- such as child benefit or Disability Living Allowance is not taken into account in the assessment.
32. Stockton Council paid for an enhancement to the Council Tax benefit scheme and did not take into account war widow(er)s pensions or war disablement pensions when calculating support. It is proposed that this provision be carried forward into the LCTS scheme.
33. The capital “cut off” of £16,000 has been retained, in order to ensure that people with significant savings cannot claim support, whilst continuing to encourage saving for the future. The amount of support would be based on a maximum 80% of council tax liability instead of the current 100% support for some. This maximum would be reduced by a “taper” of 20% of income above the set “living allowance” – the same rate as in the present CTB scheme.
34. The amounts quoted in the document are based on 2012/13 figures and will be uprated in line with the allowances for housing benefit with effect from 1 April 2013.

### **Consultation and Communications**

35. A draft consultation plan is attached at Appendix 4, and a draft consultation document at Appendix 5
36. Legal advice points us in the direction of a wider consultation with those who are liable for Council Tax, rather than restricting consultation solely to those residents currently in receipt of council tax benefit. The rationale is that if, for example, the Council took the decision to go to the default position rather than choose a local scheme then this would impact on the wider council tax base as the Council would have to either find reserves to meet the gap or potentially look for savings in other areas of the Council affecting all council tax payers.
37. There are concerns that the timescales are extremely tight and there is not sufficient time to undertake the preferred two stage consultation

option for such a major change. A two stage approach would take out to consultation the options for development of a scheme, and only after analysis of that consultation would a draft scheme be designed for further consultation. There is considered to be a risk associated with the current approach but this is the same for all Local Authorities and cannot be avoided due to the short timescales.

38. It is proposed that the following methods will be used for consultation:-

- Local media
- Council website
- Mailshot to all residents
- Focus groups
- Consultation via partner organisations
- Renaissance

Unfortunately it is not possible to utilise Stockton News as a consultation and communication vehicle because of the timing.

### **Resident Support**

39. The introduction of the LCTS scheme will impact upon low income residents in the borough, with 6,600 residents being required to pay council tax for the first time, and a further 6,100 required to pay an increased amount. For those that find themselves having to pay for the first time, a wide range of payment methods are available including cash/cheque/debit or credit card at one of the Council's cash offices, through the internet, cheque through the post, direct debit/standing order, over the telephone or at local Post Office and Payzone outlets. In addition to the statutory 10 monthly payments, Council Tax payers can arrange to pay on a weekly, fortnightly or 12 monthly basis. Many of these people will also be affected by the wider welfare reforms and already be dealing with reductions in other benefits. Members are asked to consider approving the provision of £85,000 per annum for two years to provide advice and support to residents affected. It is proposed that details of the most appropriate means of providing this support are developed for approval by the Corporate Director of Development and Neighbourhood services in consultation with the Cabinet Members for Housing and Community Safety and Corporate Management and Finance.

### **FINANCIAL IMPLICATIONS**

40. Current Scheme is demand led and fully funded by DWP; In future this will be a fixed grant

Paid out £16.8 million in 2011/12 (including Police and Fire) £13.9m in respect of Stockton

10% reduction would have resulted in a grant of £12.5m, a reduction of £1.4m.

A scheme to reduce the benefit of an equivalent amount would see us collect approximately £850,000, leaving a pressure of £550,000.

The way the scheme works, there will be additional pressures associated with Growth and Council Tax increases of £2.45m,

### Impact on MTFP

41. Current Budget Gap (£'000) :

	13/14	14/15	15/16	16/17
GAP	0	890	7,853	11,604

Scheme will increase budget gap .Still significant uncertainty over future funding due to changes in Local Government Finance

Potential to introduce changes to discounts for empty properties (Scrutiny topic) which could generate approximately £1.3m. The Single person discount of 25% cannot be changed.

### LEGAL IMPLICATIONS

42. The requirement for a LCTS scheme is contained in the Local Government Finance Bill currently in passage through Parliament. Government have confirmed that consultation on draft scheme can take place before the bill receives Royal Assent. There is some risk associated with the tight timescale for the consultation and implementation, but legal requirements within the Local Government Finance Bill relating to consultation will be adhered to The draft scheme complies with legal requirements.

### RISK ASSESSMENT

43. A risk assessment has been carried out and this report is categorised as high risk, scoring 20. Risks identified are due to the uncertainty relating to legislation, funding and the very tight timescales. In addition risks relate to the reduction in funding for the Council and potential loss of income for residents. Risk will be closely monitored as part of the Welfare Reform governance arrangements and the assessment revised as further information becomes available and public consultation progresses.

### SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

44. **1-Economic Regeneration and Transport**  
The proposed scheme helps promote employment by enhancing the work incentives included in the current scheme.

**2- Environment and Housing**

n/a

**3- Safer Communities**

n/a

**4-Children and Young People**

The proposals to additional advice and information provision will support economic well-being and build on work to prevent homelessness by providing access to effective support and advice services.

## **5- Healthier Communities and Adults**

The proposed scheme promotes the provision of support for vulnerable adults and older adults within our communities. Current and future pensioners will be protected, receiving the same level of support as under the current Council Tax Benefit scheme. For working age claimants the means test will acknowledge additional costs associated with bringing up a family, caring for others or coping with disability.

### **Supporting Themes**

#### **Stronger Communities**

The proposals to fund additional advice and information provision together with the existing payment methods available will promote financial inclusion, providing residents with access to financial advice.

#### **Older Adults**

Current and future pensioners are protected from reductions in support, receiving the same level of help with council tax as under the current Council tax Benefit scheme.

## **EQUALITIES IMPACT ASSESSMENT**

44. This report has been subject to an initial Equality Impact Assessment in order to assist in the identification of options and the drafting of the scheme document for consultation. The EIA will be reviewed following the consultation period and will inform the development of the final scheme. The EIA is available as Appendix 6 on the E genda system

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

45. Consultation has included all elected members, Police and Fire Authority representatives and the Council's Welfare Reform Project Board, which includes representatives from the voluntary sector and Registered Housing providers.

Contact Officer: **Julie Nixon (Lead Head of Service for Welfare Reform)  
Ext 7072**

**Linda Stephenson (Lead Project Officer Welfare Reform)  
Ext 6245**

The following table considers the advantage and disadvantages of each option:

**Advantages and Disadvantages of each option**

<u>Option</u>	<u>Reduction in Benefit Allocation</u>	<u>Advantages</u>	<u>Disadvantages</u>	<u>Impact of Option on Council</u>
A – Stay with existing scheme and fund shortfall	Nil	<ul style="list-style-type: none"> <li>• No software changes needed</li> <li>• Minimise claimant enquiries/ confusion/upset</li> <li>• People on low incomes would not be expected to make additional or new Council Tax payments</li> <li>• No additional costs of collection</li> <li>• No direct impact on collection rates</li> </ul>	<ul style="list-style-type: none"> <li>• Would further increase the Council’s budget gap from 2013/2014 onwards</li> <li>• Transitional protection would have to be considered if it was later decided to move to an alternative scheme with reduced levels of support.</li> <li>• There is a financial impact on other preceptors</li> </ul>	£2.6m
B – The “Shared Reduction” option”	£1.4m	<ul style="list-style-type: none"> <li>• Covers the estimated 10% funding cut plus a small contingency.</li> <li>• The reduction to CTB is shared equally amongst all working age claimants - everyone has to pay 20% more.</li> <li>• Although people in “vulnerable” groups would experience a reduction in council tax support, the additional costs associated with bringing up children, disability and/or working would continue to be recognised by the provision of income disregards or additions to “living allowances”, meaning these vulnerable claimants would receive more in council tax support than another claimant with the</li> </ul>	<ul style="list-style-type: none"> <li>• Approximately 6,600 people on lower incomes will have to start paying Council Tax and a further 6,100 will face an increased bill.</li> <li>• Many small bills – it is estimated that 8,400 bills will be less than £200 per year.</li> <li>• Increased costs of collection and enforcement</li> <li>• Potential Negative impact on collection rates. Estimated collection of ‘new’ tax to be collected is 60%Would reduce impact on the Council but would still leave a significant pressure</li> </ul>	£1.75m



		same level of income.		
C – Protection for specific vulnerable groups	Not known	<ul style="list-style-type: none"> <li>Provides support for vulnerable groups.</li> </ul>	<ul style="list-style-type: none"> <li>It is not possible to estimate the numbers who may be protected and the associated costs of doing so as the required information is not held against existing claims.</li> <li>Difficulties defining “vulnerable groups”</li> <li>Risk of legal challenge for example from those that believe other groups of individuals should be classed as vulnerable.</li> <li>The people within the potential vulnerable groups also benefit from income disregards and could have more disposable income than others required to pay more under this option.</li> </ul>	Not known
Abolish second adult rebate	£0.04m	<ul style="list-style-type: none"> <li>The saving to be achieved would amount to only 0.25% of expenditure, but it would significantly simplify the administration of the local scheme. It is therefore proposed that this option be adopted in addition to any other.</li> </ul>		£2.6m

## Case Studies- Local Council Tax Support Scheme.

<b>Case Study 1 – Mr and Mrs A</b>	<b>Council Tax – Band A £19.81 per week. £1030 per annum</b>
Couple with 2 children, both under 5. They claim Income Related Job Seekers Allowance.	
<b>Income</b>	
Job Seekers Allowance - £111.45 Child Benefit - £33.70 Child Tax Credit - £113.63 Total - £258.78 Less disregarded income:- Child Benefit- £33.70 <b>Assessed Income - £225.08</b>	
Council tax to pay April 2012	£nil
Council tax to pay April 2013	£3.96 per week - £205.92 per year

<b>Case Study 2 – Mr and Mrs B</b>	<b>Council Tax – Band A £19.81 per week. £1030 per annum</b>
Couple with 2 children, both under 5. Mr B is disabled and receives Incapacity Benefit and Disability Living Allowance.	
<b>Income</b>	
Incapacity Benefit -£99.15 Child Tax Credit - £113.63 Child Benefit £33.70 DLA Mobility- high £54.05 DLA Care- high £77.45 Occupational Pension £77.00 Total - £454.98 Less disregarded income:- Child Benefit and DLA £165.20 <b>Assessed Income £289.78</b>	
Council tax to pay April 2012	£nil
Council tax to pay April 2013	£3.96 per week - £205.92 per year

<b>Case Study 3 – Mr and Mrs C</b>	<b>Council Tax – Band A £19.81 per week. £1030 per annum</b>
Couple with 2 children both under 5, Mr C working 25 hours per week for minimum wage.	
<b>Income</b>	
Child Benefit - £33.70 Child Tax Credit - £113.63 Net earnings £151.49 Working Tax Credit -£77.69 Income £376.51 Less disregarded income :- Child Benefit and earnings disregards £65.80 <b>Assessed Income £315.71</b>	
Council Tax to Pay April 2012	£11.38 per week (£591.76 per annum)
Council Tax to Pay April 2013	£14.34 per week (£745.68 per annum)

<b>Case Study 4 – Miss D</b>	<b>Council Tax Band A less Single Person discount £14.85 per week, £773 per annum</b>
Single person aged 23 receiving Income Related Job Seekers Allowance	
<b>Income</b>	
Job Seekers Allowance - £56.25 No disregarded income <b>Assessed Income £56.25</b>	
Council Tax to Pay April 2012	£nil
Council Tax to Pay April 2013	£2.97 per week - £154.44 per year

**Maximum Council Tax Support – Option B (Shared Reduction) – Restrict Support to 80% Liability**

	<b>Full Yearly Charge</b>	<b>Minimum Payment Single Person</b>	<b>Minimum Payment- couple</b>
<b>Band A</b>	1016.71	152.51	203.34
<b>Band B</b>	1186.17	177.92	237.23
<b>Band C</b>	1355.62	203.34	271.12
<b>Band D</b>	1525.07	228.76	305.14
<b>Band E</b>	1863.97	279.59	372.79
<b>Band F</b>	2202.88	330.42	440.55
<b>Band G</b>	2541.78	381.26	508.35
<b>Band H</b>	3050.14	457.52	610.02