

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

LOCALISING SUPPORT FOR COUNCIL TAX

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 On 23 July 2012 a draft local Council Tax Support scheme was approved for consultation. This local arrangement will replace the current national Council Tax Benefit from April 2013. It is for Council to determine the shape of the local scheme.
- 1.2 This report summarises the responses from the consultation process and the extent to which respondents agreed with the proposals.
- 1.3 It also explains additional grant funding of £318k recently offered by the government for a transitional period of one year if schemes meet specified criteria. This would make the reduction in benefit faced by working age claimants a maximum 8.5% compared to 23% in the original proposals.
- 1.4 The implications for the North Lincolnshire draft scheme and the financial impact are considered. It presents a final scheme for approval for 2013/14.

2. BACKGROUND INFORMATION

- 2.1 At Spending Review 2010 the Government announced that it would localise support for council tax from 2013-14, reducing expenditure by 10 per cent. A key objective of this change is to 'make work pay'. The Welfare Reform Act 2012 provides for the abolition of council tax benefit, paving the way for new localised council tax reduction schemes.
- 2.2 The Council is required to decide on a localised support scheme before 31st January 2013. If a decision is not taken the Council will be required to implement a default scheme, which effectively mirrors existing Council Tax benefit arrangements, and the Council will be expected to fund a 10% reduction in government funding.
- 2.3 Further information received in October 2012 offers additional funding for one year, dependent upon the local scheme meeting specified criteria. The government criteria differ to some extent from the scheme on which we have

consulted, but do address a number of concerns raised by respondents on the impact of the proposed scheme, particularly for those on low pay.

- 2.4 The changes to council tax benefit are part of the fundamental overhaul of benefit legislation of which the universal credit is the centrepiece. Decisions made on council tax support therefore need to be taken in the context of these wider reforms. Substantial changes are proposed to housing benefit entitlements alongside the phased introduction of the universal credit, which in time will replace a range of current working age benefits including tax credits.
- 2.5 As well as localising responsibility for the council tax benefit, from next April the council will also be responsible for elements of the Social Fund: community care grants and crisis loans. Funding will transfer from the Department of Work and Pensions and the council will determine how it will operate the scheme in its locality. The funding is not ring-fenced and therefore the council can change the current approach to fit best with local circumstance. That includes the possibility of shaping its use to complement the local council tax support scheme and changes to housing benefits.

3. **LOCALISED COUNCIL TAX SUPPORT SCHEME – FEEDBACK SUMMARY AND PROPOSED FINAL SCHEME**

The draft scheme

- 3.1 In developing a proposed scheme a number of principles were adopted:
- a. Eligibility would be the same as for the current Council Tax Benefit (based on income and savings)
 - b. The scheme would provide mandatory protection for eligible pensioners
 - c. Council tax support would be limited to the 90% funding level provided through the business rate retention scheme, as assumed in the financial plan
 - d. The scheme would provide an incentive to work for working age claimants
 - e. Provision would be made to offer financial support on an exceptional basis for those with unavoidable financial difficulties
- 3.2 The draft scheme therefore proposed to recover the 10% shortfall in funding by reducing the entitlement of all working age claimants by an estimated 23%. In addition the council invited views on whether to protect other vulnerable groups.
- 3.3 Consultation was carried out between 19 August and 19 October 2012 through a number of channels. This included an on-line questionnaire on the council's website; paper questionnaires at council buildings open to the public; two full day consultation events with council partners and voluntary

groups; and publicity through local media. The consultation covered: scheme principles; groups meriting protection; how support in cases of hardship should be provided; and whether that support should be targeted.

3.4 Information was provided to Local Taxation and Benefits customers, the general public and all relevant partner agencies, as well as those council staff involved professionally in providing services to relevant groups in the community who would be affected by the proposal. There were 176 consultation responses and feedback from consultation with partners and stakeholders and precepting bodies.

3.5 Response on Scheme Principles

Overall there was a high degree of agreement on the principles of the scheme by respondents to the questionnaire:

- i) Eligibility for the Local Council Tax Support Scheme will be the same as for the current Council Tax Benefit (based on specified income and savings levels) - 79% agreed or strongly agreed
- ii) Council tax support should not be subsidised by reducing services or increasing council tax - 83% agreed or strongly agreed
- iii) The scheme should provide an incentive to work for working age claimants - 80% agreed or strongly agreed
- iv) A support fund is created to offer financial support on an exceptional basis for those who face unavoidable financial difficulties - 74% agreed or strongly agreed.

3.6 Response on Support for Other Groups

Respondents were asked whether other groups within our community should be protected from the financial impact of the local scheme. Of the four groups proposed over 50% agreed protection should be offered to three of the groups:

- Those in low paid work – 73% agreed or strongly agreed
- Those at risk of homelessness – 62% agreed or strongly agreed
- Those with disability benefits – 54% agreed or strongly agreed

And on one group opinion was evenly divided:

- Families with children under 5 – 41% agreed or strongly agreed

3.7 Response on how additional help should be funded

When asked how this support should be provided, 68% of respondents agreed that the proposed support fund should be used to provide additional

assistance. However a significant majority made clear that support should not be funded by reducing other council services or increasing the council tax for all.

3.8 Response on whether the support should be targeted

The council's proposal of a support fund did not prioritise any claimant group. Almost half (48%) agreed it should be open to all. Considering specific groups 64% agreed those at risk of homelessness and 68% those in low paid work deserved greater attention. Taking into account the feedback from the consultation process, the council may wish to consider whether to target the funding.

3.9 A number of issues were raised by partners and stakeholders at the consultation event on 21 September which the council would wish to consider: in particular the importance of effective communication before the changes happen; support to those who need it in developing money management skills; and gearing up for increased demands on council services and other agencies for advice and support.

3.10 The changes to council tax support affect precepting bodies as well as the council itself. The Police and Fire authorities have therefore been consulted and both have expressed support for the principles of the scheme, and their agreement that the costs of the scheme are minimised.

3.11 On 16 October Government announced an additional £100m of funding to provide transitional support to local schemes which met defined criteria:

- a. Those who would be on 100% support under current council tax benefit arrangements should pay between zero and no more than 8.5% of their council tax liability;
- b. The taper rate¹ does not increase above 25%; and
- c. There is no sharp reduction in support for those entering work - for claimants currently entitled to less than 100% support, the taper will be applied to an amount at least equal to their maximum eligible award.

3.12 A reduction of entitlement of between 0% and 8.5%, but not greater, can be made for all working age claimants if the council wishes to take advantage of the additional funding.

¹ Means tested benefits compare your income to a 'needs allowance', that is a minimum amount you need to live on. If your income is lower you will get maximum benefit. If it is above (most commonly due to work) the benefit available will reduce by the amount it is above. A taper makes the award more generous by changing this reduction from a pound to pound basis to the taper reduction instead. So for council tax benefit the taper is 20% this means £1 income over the 'needs allowance' will reduce benefit available by 20p

4. OPTIONS FOR CONSIDERATION

4.1 It is open to the council to confirm its original scheme; modify the scheme to take account of consultation responses and/or to modify the scheme to take up the government's offer of additional grant for one year. The legislation will allow councils to modify schemes year on year, but not in-year, should changes be needed.

4.2 The final scheme must be agreed by no later than 31 January 2013. If no decision is made to establish a local scheme by that date a default scheme defined by regulations will automatically come into force.

Scheme principles

4.3 A key question in evaluating the government offer is how far it differs from the scheme proposed by the council; and if it was adopted whether this would require a new public consultation.

4.4 It is therefore necessary to consider how far the government scheme affects the principles which underpin the scheme on which we consulted.

- i. It meets the criterion of using the existing council tax benefit assessment framework to determine entitlement and does not propose differential protection for different groups
- ii. Increases in council tax or service reductions are to be avoided
- iii. It maintains the current arrangements for a phased reduction in benefits as income from work increases
- iv. The support fund is a matter for the local council.

4.5 On this basis therefore both schemes build on consistent principles. The difference is in the scale of reduction faced by working age claimants. With the government proposed criteria this would reduce to a maximum of 8.5% the cost to working age claimants in the first year. Conversely the cost to the council of providing this level of support would increase, but not greatly.

Scheme costs

4.6 **Appendix B** compares the potential costs of the scheme on which we consulted and the equivalent costs of the scheme modified to meet government criteria for additional grant support. This shows a net overall cost of £971k (£836k for NLC) for the original scheme and £1,078k (£914k) for the modified scheme.

4.7 For illustrative purposes the calculations assume:

- Council tax at 2012/13 levels
- A 23% reduction in entitlement for working age claimants compared to the current average benefit payment

- A support fund which is 10% of that sum
- A provision for bad debt which is 35% of that sum

4.8 This means the cost to the council and its precepting bodies increases by £363k. This is largely due to three factors:

- a) Different assumptions compared to government on the number and cost of claimants in 2013/14: locally we do not expect a fall off in 2013/14
- b) The proposed council tax support fund: this is a local decision
- c) Losses on collection: the expectation that there will be difficulties with the collection of relatively small sums for council tax from those on limited income who have not previously had to pay council tax.

4.9 The figures also allow for the fact that government support to the billing authority includes an amount for the loss of income faced by parishes due to the new discount and the billing authority will therefore have to stand this cost. Police and Fire will receive direct support.

4.10 The transitional grant support, if accepted, reduces the amount to be collected from those groups now paying for the first time or paying more. This means we can reduce the estimate of bad debt and the size of the proposed Support Fund compared to the scheme on which we consulted.

Modified Scheme

4.11 Consultation on the draft scheme took place before the government offer of transitional funding. This raises the question of whether the proposed scheme is now significantly different to the one on which the council consulted; and if a further consultation is needed. The government has advised that it is for local authorities themselves to determine whether a further consultation is needed; and if so how, before the statutory deadline of 31 January.

4.12 For the North Lincolnshire scheme there is only one essential change, the level of reduction to working age entitlement (from 23% to 8.5%): this is an issue of detail, and not of principle. It is consistent with the intention of the scheme, and of the public response, to look to support claimants facing a significant reduction through a hardship fund. On that basis legal advice confirms that the change is not substantive enough to warrant a further consultation exercise.

4.13 Taking account of the relative costs, it is proposed that council amend the draft scheme to meet the requirements of the transitional grant. This is consistent with the scheme on which we consulted, and which a substantial majority of respondents supported; it provides a greater degree of protection for working age claimants in the first transitional year; and it reduces the amount of council tax at risk of non-collection; at a marginally increased cost.

- 4.14 The amended scheme is at **Appendix A**. The scheme will need to be reviewed for 2014/15, but this is in line with legislative provisions for annual review.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 **Appendix B** outlines the financial implications of the draft scheme put to consultation and the modified scheme now proposed. It shows the trade off between the charge to benefit recipients, government support and cost to the council and those bodies which precept on it.

- 5.2 Failure to agree a local scheme by 31 January 2013 would mean that the default scheme must be implemented with the necessary £1.4m reduction in support being funded wholly by the Council (£1.2m) and its major preceptors (£0.2m). This includes the one –year transitional grant.

- 5.3 The administration of the local council tax support scheme is the responsibility of the billing authority. However the scheme has implications for major precepting bodies, the Police Authority /Commissioner and the Fire Authority. Police and Fire authorities are compensated for 90% of the council tax benefit bill in the same way as the council. Parish councils are to be compensated by levying a precept on the unadjusted taxbase before the council tax support reduction is applied.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

- 6.1 The council is required to take account of the impact of the changes to council tax support on different groups.

- 6.2 An Impact Assessment has been completed for the proposed local scheme. All groups will have their Council Tax Support entitlement calculated using existing Council Tax Benefit regulations, but for working age claimants the local scheme will reduce the discount by 8.5%.

a) The scheme explicitly provides for no reduction in council tax support for pensioners on low incomes.

b) It continues to recognise the additional financial burden of disability through a system of additional allowances and premiums, within the means test.

c) It continues to recognise the additional financial burden of those with children through a system of additional allowances.

Locally the council already applies a full disregard for war disablement, war widows' pensions and the armed forces compensation scheme. This will continue.

7. RECOMMENDATIONS

- 7.1 That the 'Proposed Scheme' set out at Appendix A is confirmed as the final scheme for North Lincolnshire for 2013/14
- 7.2 That the government's offer of transitional grant funding is accepted
- 7.3 That a support fund be established to help in cases of hardship
- 7.4 That the cabinet member for Policy and Resources approve the scheme for the operation of the support fund.

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Background Papers used in the preparation of this report:

1. Introduction

At Spending Review 2010 the Government announced that it would localise support for council tax from 2013-14, reducing expenditure by 10%. The Welfare Reform Act 2012 provides for the abolition of Council Tax Benefit, to be replaced by a new local Council Tax Support scheme. This is the proposed support scheme for North Lincolnshire, for approval by Council on 27 November 2012.

2. Prescribed Requirements

The following requirements are to be prescribed by the Secretary of State and will therefore apply to the Council's local CTS scheme.

Pension Age Claimants

It is a government requirement that a Pension Age claimant must see no reduction in the percentage level of support they received under Council Tax Benefit, to that which they will receive under the Council Tax Support Scheme.

Persons from Abroad

The government intends to apply the same restrictions as exist under the Council Tax Benefit to exclude foreign nationals with limited immigration status and non-economically active European Economic Area (EEA) individuals who are not exercising European Union (EU) treaty rights from receiving Council Tax reductions.

Refugees

Those persons that have recognised refugee status, humanitarian protection, discretionary leave or exceptional leave to remain in the country outside of the immigration rules and who are exempt from the habitual residence test will be entitled to apply for Council Tax Support as long as their status has not been revoked.

Permitting a person to act for another person

Current arrangements for a person to act on behalf of another will continue. For example, where a person has been granted a power of attorney for a council tax payer or in cases where a couple wishes to make an application.

3. North Lincolnshire Council Tax Support Scheme

Under the scheme there will be two distinct claimant groups;

- those who have reached Pension Age
- those who are Working Age

Pension Age Claimants

For Pension Age claimants there will be a number of qualifying criteria which will determine the level of support the claimant is entitled to. In order to calculate the level of support which a claimant is entitled to, the means test currently defined within the Council Tax Benefit regulations will be applied.

Qualifying Criteria

The individual must:

- have attained the qualifying age for state pension credit
- not be someone with a partner of working age in receipt of;
 - Income Support
 - income based Job Seekers Allowance
 - income based Employment and Support Allowance
- be liable to pay Council Tax for a property within the North Lincolnshire boundary
- not have capital savings above £16,000
- have applied for the scheme
- have income which is less than their applicable amount (see Appendix A) or
- have income over their applicable amount which will be reduced at a prescribed percentage (20%) when calculating the level of support to which they are entitled or
- have at least one second adult living with them who is not their partner, not somebody who pays rent, and who is on a prescribed low wage or benefit

Calculation of entitlement

Under the local Support Scheme the following process will be followed;

- i) A claimants entitlement to support will be calculated using existing Council Tax Benefit regulations
- ii) The level of support to which the claimant is entitled will be deducted from their Council Tax liability
- iii) For the balance of Council tax liability for the remainder of the claim period or financial year, a Council Tax bill will be generated and arrangements to pay made with the customer, if their entitlement to Council Tax Support does not cover the entire liability

Claim Process

Pension Age claimants already in receipt of Council Tax Benefit, will automatically transfer over to receiving Council Tax Support. For new claimants after 1 April 2013, a simplified claim form will be provided to enable eligibility for support to be established.

In Summary

Pension Age claimants will;

- Have their Council Tax Support entitlement calculated using existing Council Tax Benefit regulations
- Have entitlement to Council Tax Support automatically calculated and implemented if they are in receipt of Council Tax Benefit prior to 01/04/13
- Have a simplified claim process
- Receive the same level of financial support under the local Council Tax Support scheme as they did under Council Tax Benefit

Working Age Claimants

The level of support to which a claimant is entitled will be based on their individual circumstances, both at the time of claiming and as their circumstances change over time.

In order to calculate the level of support which a claimant is entitled to, the means test currently defined within the Council Tax Benefit regulations will be applied.

Qualifying Criteria

The individual must:

- not yet have attained the qualifying age for state pension
- be a person whose partner has not yet attained the qualifying age for state pension, except where the applicant is in receipt of
 - Income Support
 - income based Job Seekers Allowance
 - income based Employment and Support Allowance
- be liable to pay Council Tax for a property within the North Lincolnshire boundary
- not have capital savings above £16,000

- have applied for the scheme
- have income which is less than their applicable amount (see Annex to the appendix for definition) or
- have income over their applicable amount which will be reduced at a prescribed percentage (20%) when calculating the level of support to which they are entitled

An individual in receipt of income support, income related jobseekers allowance or income related employment and support allowance will have income and earnings counted as zero for the purpose of calculating their entitlement to support.

For claimants in receipt of the new universal credit an assessment will be made of household income against the relevant applicable amounts identified in Annex A

Calculation of Entitlement

Under the local Support Scheme the following process will be followed:

- i) A claimant's entitlement to support will be calculated using existing Council Tax Benefit regulations
- ii) Once calculated, it will be subject to further adjustment to take into account any non dependant adults that normally reside in the property who would be expected to contribute to Council Tax
- iii) When this adjustment has been made an entitlement of 91.5% of the sum will be allowed under the local council tax support scheme
- iv) For the balance of Council tax liability for the remainder of the claim period or financial year, a Council tax bill will be generated and arrangements to pay made with the customer.

Claim Process

Working Age claimants already in receipt of Council Tax Benefit will automatically transfer over to receiving Council Tax Support on 1/04/13 at the new level of entitlement. For new claimants after 1 April 2013, a claim form will be provided to enable eligibility for support to be established.

In Summary

Working Age claimants will;

- have their Council Tax Support entitlement calculated using existing Council Tax Benefit regulations

- have entitlement to Council Tax Support automatically calculated and implemented if they are in receipt of Council Tax Benefit prior to 01/04/13
- be entitled to 91.5% of the level of support which they would be entitled to under the current Council Tax Benefit regulations

4. Council Tax Support Fund

There will be a Housing Costs Support Fund to help those who face substantial financial difficulties, combining Discretionary Housing Payments funding with council funding. The Fund will give extra support to those experiencing difficulties in paying rent and/or council tax. This includes people experiencing a reduction in the level of support they receive due to the localisation of the Council Tax Support Scheme; and people having difficulty meeting rental payments. It is proposed that payments will be awarded for a limited period, up to 26 weeks. For owner occupiers only council tax support would be available as now.

The essential test is one of hardship, comparing the customer's income and savings with their outgoings; but support would only be for housing costs. The support fund will be equivalent to 10% of the estimated value of additional council tax to be charged to customers under this scheme. The support fund will therefore be approximately £60k.

5. North Lincolnshire Council Tax Support Scheme Summary

The key features of the 2013/14 scheme for North Lincolnshire are:

- Existing Council Tax Benefit regulations will apply when calculating the level of support which a claimant is entitled
- Claimants of Pension Age will receive the full level of support they are entitled to using the existing council tax benefit regulations
- Claimants of Working Age will receive 91.5% of the entitlement as calculated using the existing benefit regulations
- Entitlement to support will be deducted from Council Tax liability and a bill will be generated for any remaining balance which must be paid by the claimant
- There will be a support fund to help claimants who face substantial financial difficulties with housing costs.

Applicable amounts start with a personal allowance, this is the minimum level of weekly income the Government deems necessary to live on. It is based on age and status (single or part of a couple).

The indicative allowances detailed below are current rates. These values may be **subject to change** when regulations for 2013/14 are set by government.

Working Age

- Single and under 25: £56.25
- Single and 25 or over: £71.00
- Couple and both under 18: £84.95
- Couple with at least one member 18 or over: £111.45

(for lone parents the under 25 rate only applies to under 18s)

Pension Age

- Single and under 65: £142.70
- Single and 65 or over: £161.25
- Couple both under 65: £217.90
- Couple with at least one member 65 or over: £241.65

Note: There are additional premiums on top of the personal allowance, for those responsible for a child, with a disability or in receipt of ESA.

Proposed scheme

APPENDIX B

	Estimated Impact of the Council Tax Support Scheme	Partially funded by			Impact on Budget after Government Funding Allocation	Other Costs		Total Impact on Budget
		Met by claimants	Government Grant	Additional Government Grant		Cost of Support Fund	Bad Debt Provision	
	£m	£m	£m	£m	£m	£m	£m	
Council (including special expenses and parishes)	-11.314	0.481	9.878	0.267	-0.688	-0.057	-0.169	-0.914
Fire (NLC element only)	-0.672	0.029	0.588	0.016	-0.040		-0.010	-0.050
Police (NLC element only)	-1.494	0.063	1.303	0.035	-0.092		-0.022	-0.114
	-13.480	0.573	11.769	0.318	-0.820	-0.057	-0.201	-1.078

Consultation Scheme

	Estimated Impact of the Council Tax Support Scheme	Partially funded by			Impact on Budget after Government Funding Allocation	Other Costs		Total Impact on Budget
		Met by claimants	Government Grant	Additional Government Grant		Cost of Support Fund	Bad Debt Provision	
	£m	£m	£m	£m	£m	£m	£m	
Council (including special expenses and parishes)	-11.314	1.131	9.878	0.000	-0.304	-0.135	-0.397	-0.836
Fire (NLC element only)	-0.672	0.067	0.588	0.000	-0.018		-0.024	-0.042
Police (NLC element only)	-1.494	0.149	1.303	0.000	-0.041		-0.052	-0.093
	-13.480	1.348	11.769	0.000	-0.363	-0.135	-0.473	-0.971