

**NORTH LINCOLNSHIRE COUNCIL**

**THE LEADER**

**LOCALISING SUPPORT FOR COUNCIL TAX**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 From 2013/14 billing authorities, those councils responsible for the collection of council tax, are required to establish a local council tax support scheme. This replaces the current national council tax benefit scheme, which government funds but billing authorities administer.
- 1.2 The government proposes to provide through the relocalised element of business rates for 90% of the projected costs of the scheme in 2013/14. The risks or benefits of higher or lower costs then falls to the relevant council.
- 1.3 This paper sets out the principles of such a scheme and invites the cabinet member to determine the basis on which it wishes to undertake public consultation. Time is tight and the scope of the proposed scheme needs to take account of government direction, the council's wider duties towards vulnerable groups and what is feasible for software suppliers in the time available.
- 1.4 To meet statutory deadlines the decision to adopt the final scheme will need to be made at the November meeting of council at the same time as setting the council tax base.

**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. The Welfare Reform Act 2012 provides for the abolition of council tax benefit, paving the way for new localised council tax support schemes.
- 2.2 This reform is part of a wider policy of decentralization and welfare reform. A key Government objective is lifting the poorest off benefits, by supporting them into work. It wants local schemes to support this aim and help to deliver the positive incentives to work that will reduce reliance on support for council tax in the long term. The Government, however, believes that it is right to protect council tax support for pensioners and that this should not be affected as a result of the introduction of this reform.

- 2.3 The Local Government Finance Bill currently before Parliament imposes a duty on billing authorities to make a localised council tax support scheme by 31 January 2013. Further powers in the Bill allow the Government to prescribe a *default scheme* which will take effect if a billing authority has not made a scheme by then. The default scheme would effectively cost the same as the current council tax benefit scheme, but the council would have to fund the 10% reduction in government funding.
- 2.4 The change to a local scheme affects all those bodies which raise a precept on the local council tax base. That includes this council, but also the Police and Fire Authorities and local town and parish councils. This is because the change from a benefit scheme to a council tax discount reduces the taxbase and therefore the tax take for any given level of tax.
- 2.5 The Government will allocate funding directly to billing and major precepting authorities to support localised schemes to compensate for the reduction in taxbase; but funding for parishes comes to the council, with an expectation that this will be passed on.
- 2.6 Funding will be provided on the following basis:
- a) Council tax support equivalent to 90% of subsidised benefit expenditure
  - b) The national amount for distribution based on forecasts of total subsidised council tax benefit expenditure for 2013/14. (At Budget 2012, this was £3,679m which is 12% less than the latest actual figure of council tax benefit paid of £4,190m for 2010/11)
  - c) Funding allocations to be part of the Local Government Finance Settlement and distributed through the business rates retention scheme rather than as a separate grant, (except for police).
  - d) Shared between areas based on shares of annual subsidised council tax benefit expenditure for 2011/12;
  - e) And between the billing (North Lincolnshire Council) and major precepting authorities (Police/Fire) according to shares of council tax for 2012

**Appendix A** shows the impact of a 10% reduction in the government contribution. The lower taxbase reduces the tax take by £13.1m on 2012/13 figures, but indicative government funding is 10.2% lower, leaving a shortfall of £1.34m shared by the council (£1.1m) and precepting authorities.

- 2.7 There is also a requirement to consult on the proposed council tax support scheme with all interested parties. This is the responsibility of the billing authority, or of more than one authority, if a joint scheme is being considered.

Consultees include relevant precepting authorities, the voluntary sector those affected and the general public.

- 2.8 The design of a local scheme may take some account of the plans of neighbouring councils; as there may be unintended movement of claimants where neighbouring schemes are more or less generous. At this stage the four Humber authorities are working up plans on the same principles. The possibility of aligning the schemes for North and North East Lincolnshire has been explored as the new shared service will be administering both. However the different claimant profile in the two areas makes this unfeasible.
- 2.9 The timescales for approving a scheme, proper consultation and final approval is tight. As any scheme has to be approved before 31 January 2013, this means that a final scheme needs to be agreed at the November meeting of council alongside the existing legal requirement to set the taxbase for 2013/14.

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 One of the key issues in designing a local scheme is how to address the 10% (or greater) reduction in government funding. There are a number of options:
- a) Reduce the level of expenditure on council support; or
  - b) Offset the cost by making savings elsewhere in the budget; or
  - c) Increase council tax; or
  - d) A combination of these.
- 3.2 There is a further challenge in that demand is volatile and varies with the economic situation. This risk now passes from government to local bodies as the government contribution will be fixed; and the risk of cost increases – as well as the benefit of cost reductions - will have to be managed locally.
- 3.3 In developing a proposed scheme a number of principles have been used based on government guidance:
- a) That eligibility for the Local Council Tax Support Scheme would be the same as for the current Council Tax Benefit (based on income and savings)
  - b) That the scheme provides mandatory protection for eligible pensioners
  - c) That the council would wish to limit council tax support to the reduced level provided through the business rate retention scheme, as assumed in the financial plan. This would mean a reduction in the level of support for anyone whose current entitlement is not protected
  - d) That the scheme provides an incentive to work for working age claimants

- e) That some provision is made to offer financial support on an exceptional basis for those with unavoidable financial difficulties, including the threat of homelessness

In addition the council will consult on whether to protect other vulnerable groups including the disabled and families with a child under 5.

- 3.4 There are also choices to be made on how we conduct the consultation. The proposed approach is discussed in section 4.

#### 4. ANALYSIS OF OPTIONS

##### **Council tax support scheme**

- 4.1 The appendices provide relevant data that has been used to model three different options. This does not include the default scheme considered at paragraph 3.3 as the presumption is that the scheme will be managed at the reduced level of funding support. Appendix B provides an analysis of the current caseload between pensioners and working age claimants, differentiated by council tax band (**Appendix B**).
- 4.2 The mandatory protection of pensioners, and the optional protection of other vulnerable groups, inevitably means that the reduced support falls more heavily on other claimant groups. The baseline 10% reduction in available funding doubles the reduction for all non-pensioner claimants. For North Lincolnshire, pensioners represent 49% of current claimants and this is likely to increase in number and percentage as the local population ages.
- 4.3 The options presented at **Appendix C** are:
  - 1) Pensioners only - 100% protection
  - 2) Pensioners, families with children under 5 and disabled - 100% protection
  - 3) Pensioners 100%; families with under fives and disabled 80% protection
- 4.4 Inevitably the more protection that the local scheme offers to particular groups the greater the reduction faced by those not protected. For example, using current caseload, option 2 shows that full protection for families with children under five and for the disabled would mean a reduction of around one third in the entitlement of working age claimants not protected; which may not be sustainable. Option 3 suggests a compromise position which offers 80% protection for families with under fives and the disabled, while the reduction for unprotected groups is less drastic. In reality option 3 is only marginally different from option 1, but it does prescribe a level of protection for the other two priority groups at 80%.
- 4.5 Care is needed when evaluating these options. The council's system understates the number of claimants with a disability because it records only those who have notified the council of their status when submitting their claim. Other claimants are 'passported' into the system automatically and are

entitled to housing benefit/council tax benefit support because they receive specific national benefits-income support, employment and support, job seekers allowance. DWP cannot yet provide analysis of the passported numbers. However they can only increase the number identified with a disability, which would make the reduction in benefit for unprotected claimants even greater.

- 4.6 When determining what level of protection to afford to different client groups regard has to be given to wider duties councils have in legislation:
- a) The duty to eliminate unlawful discrimination, against such as those with a disability (The Equality Act 2010)
  - b) The duty to mitigate the effects of child poverty (The Child Poverty Act 2010)
  - c) The duty to prevent homelessness (The Housing Act 1996)
  - d) The Armed Forces Covenant
- 4.7 Councils also need to take into account the interaction between the new local council tax support scheme and the wider aims of the Welfare Reform Act 2012 and the Universal Credit. This includes giving an incentive to work by ensuring that people can expect to be better off in work than on benefits. It needs to be borne in mind that many existing claimants are in work, in part-time or low wage jobs, while also receiving benefits.
- 4.8 Another potential consideration would be to apply a different level of discount for different tax bands (properties are classified A to H according to market value at 1991). For example, one possible approach would be to limit support up to the equivalent of a band D property. However as **appendix B** shows the numbers of households above band D are modest and any proposal to cap support at band D would only have a marginal effect on cost.
- 4.9 The options chosen for illustration reflect the likely constraints on what the software companies can do in the time available to develop alternative schemes for their customers. There are essentially two companies which provide council tax software to the sector, Northgate being the supplier to North Lincolnshire Council. It has indicated that changes to existing software should be able to accommodate setting a different discount level for different client groups, but that the software will not be available until December, with a likely need to resolve teething issues before going live for 2013/14. For this reason it is likely that council will wish to set a scheme for the first year and review it for the next – as allowed under the impending legislation.
- 4.10 Taking all these options into account, Scheme 1 is proposed as the basis of the council's consultation process. Other variations from this option, including the potential to protect the benefit entitlement of vulnerable groups, can be tested through the consultation process. Accordingly **appendix D** sets out a description of the council's proposed scheme for consultation purposes. Note that the precise reduction in benefit levels under this option will be determined

when the final choice of scheme is made at Council in November, based on the latest data available at that time.

4.11 There are a number of *potential* financial risks to the council presented by the localisation of council tax support which will have to be managed:

- a) The council tax support scheme does not yield the 10% saving in expenditure on council tax support. This may be the result of a policy decision or a change in the number of claimants and the claimant mix, for demographic or economic reasons, which have not been accurately predicted. The current exemplification uses the May 2012 claimant count, but the trend continues to be upwards. The government contribution will be capped.
- b) Government funding allocations are less than 90% of actual subsidised benefit expenditure. The funding will be based upon the projected council tax benefit bill for 2013/14 and the Office for Budget Responsibility is estimating a reduction of -2.3% in the volume of claimants in 2013/14. This could mean that funding is reduced not only by 10% but also for the assumed decrease in the claimant count.
- c) Collection of council tax from households that experience a reduction in council tax support is likely to be difficult, as it will result in a greater number liable to pay council tax, with collection required from a range of taxpayers on low incomes. This is a particular risk for households currently receiving the full amount of council tax benefit that are now asked to pay an amount of council tax under the new scheme. Other authorities are making an assumption of a non-collection rate of 35% for this group of claimants. This compares with a current overall collection rate of around 99%. The validity of this assumption is difficult to verify as local council tax support schemes have not been tried before. However difficulties experienced with the community charge in the early 1990s suggests it would be dangerous to ignore the potential scale of the problem. Any such losses from non-collection are charged against the Collection Fund balance, and are a cost to billing and major precepting authorities. A 35% loss on collection equates to around £0.5m in North Lincolnshire.

4.12 The council may wish to take steps to minimize the financial risks and/or the impact on unprotected claimants. This could include:

- a) Setting aside a reserve to cover unforeseen costs – to cover a shortfall in government funding if it does not meet actual demand
- b) Offsetting some or all of the shortfall from internal resources, by making savings elsewhere in the budget

- c) Increasing council tax to compensate for non-collection costs which reduce the council tax base
- d) Reviewing the scheme each year to ensure it remains affordable
- e) Providing a support fund for those experiencing financial hardship because their level of council tax support has reduced
- f) Or a combination of all these options

4.13 A Housing Costs Support Fund (HCSF) could be established to help those facing exceptional difficulties because of a reduction in council tax support. There is an existing housing support fund, Discretionary Housing Payments, which provides short-term support where claimants are having difficulty paying their rent. This is government-funded. Eligibility is determined through an application process and is means-tested. The same application process and criteria can be used to assess need for support with council tax costs. There is more detail on the proposed operation of a combined Housing Costs Support Fund at **Appendix E**.

#### **Other Technical Changes to Council Tax**

4.14 The Local Government Finance Bill also provides for changes to other elements of the council tax system, which if adopted would increase the council taxbase and therefore the tax take for any particular level of council tax. These changes to nationally prescribed discounts are discretionary and therefore for the council to determine:

- a) The power to levy up to full council tax on second homes (currently this council allows a 10% discount)
- b) Replacing exemptions for vacant properties (classes A & C) with discounts set by the council (currently exempt for 6 months, or 12 months if requiring repair work)
- c) Abolishing Class L exemption, for empty dwellings taken into possession by the mortgage lender making them liable to council tax on them
- d) Allowing billing authorities to levy an 'empty homes premium' of up to 50% for dwellings left empty for two years or more (i.e. an additional sum over and above the normal liability)

One estimate of the potential additional income generated by these options is £0.2m if a 25% reduction is made to the current discounts.

4.15 These technical changes could be considered alongside the local council tax support scheme as a means of offsetting the 10% reduction in government support. Equally they could also be used to set lower council tax increases or to fund other council priorities.

## Consultation

4.16 Each billing authority must

- a) consult any major precepting authority which has power to issue a precept to it,
- b) publish a draft scheme in such manner as it thinks fit, and
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

The major precepting authorities should be involved in shaping the initial proposals. Officers of the Fire and Police authorities have been consulted on the broad principles of the approach to a local scheme set out in this paper. They will need to be consulted further on the scheme proposal itself. Parish and town councils too should have the opportunity to comment.

4.17 The consultation is relevant to all council taxpayers, not just those who currently receive council tax benefit, as the scheme adopted may affect the level of council tax or the wider services which councils provide to the local community. Best practice also suggests the council should work with voluntary and community groups and small businesses when facing difficult funding decisions.

4.18 Although Government's code of practice on consultation states that normally 12 weeks is appropriate where timing is restricted, for example, due to having to meet a fixed timetable such as a budget cycle, there may be good reason for a shorter consultation. It is therefore proposed that there be a 10 week public consultation starting on 13 August and ending on 19 October. This will give time for responses to be considered, feedback sessions to be delivered, and then decisions taken on the scheme in November 2012.

4.19 The elements of the scheme on which to consult need to be agreed:

- a) The shape of the scheme and how it treats different client groups
- b) Qualifying criteria and the proposed levels of support
- c) Alternatives to the proposed scheme, including the treatment of different client groups
- d) The creation and scale of any support fund, its operation and eligibility criteria
- e) Any proposed administrative changes such as whether a new application is needed for existing working age claimants

4.20 As there is now a shared Local Taxation and Benefits Service it makes sense to run consultations in the two areas in the same way, while using material appropriate to each council. It is not proposed, however, that the two councils run a joint consultation.

- 4.21 Consultation will be carried out with council taxpayers including claimants, voluntary and community groups and other stakeholders such as social and private sector landlords. A consultation plan has been prepared which offers the opportunity for the community and partners to express their views on the proposed scheme primarily through electronic means. The costs can be charged to government funding provided for the transition costs of implementing a new scheme. The format of the suggested consultation approach with council taxpayers and claimants is set out at **appendix F**.

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

- 5.1 The Local Council Tax Support Scheme (LCTSS) will place greater financial risks on the council and precepting bodies, but these are difficult to estimate accurately. Councils will need to ensure that they have sufficient resources in reserve to deal with any cost increases. The financial plan makes no provision for support beyond the 90% government funding, or for extra losses on collection. On current indicative the figures the scale of reduction is £1.34m with this council's share at £1.1m.
- 5.2 The establishment of a Housing Costs Support Fund (HCSF) would require an additional resource. This would include existing DHP Funds from the government (£93k in 2012/13) which can support rental costs; made up to £200k from council finances to provide help on rent and council tax costs. The size of the fund can be reviewed as the new arrangements bed in.
- 5.3 The administration of the Local Council Tax Support Scheme is the responsibility of the billing authority. It is expected that there will be a reduction in the administration grant currently paid by government under the national scheme. At this stage the figure cannot be quantified, but may have implications for staffing levels.
- 5.4 Government funding of £84k has been provided to pay for software changes and other transition costs. It is not possible to say with certainty if this will be sufficient. However running an aligned consultation for the two authorities should bring some economies.
- 5.5 As the council already administers the current national scheme on behalf of DWP there are no property consequences from the proposed changes.

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

- 6.1 The significant changes now being implemented in the welfare system may have far-reaching consequences. Localisation of council tax support is part of a wider policy to reform welfare in a way which reduces the cost to the state and rebalances responsibility between the state and the individual.

- 6.2 There are likely to be consequences for the affordability of housing for those in need of benefit support and individuals and households will have to make adjustments if their property costs – including rent and council tax- are to be affordable.
- 6.3 Councils are invited to share with national government the responsibility for economic development, with the prospect of improved living standards through job creation which reduces dependence on benefits.
- 6.4 There are a range of potential implications to this strategy which could include social cohesion.

## **7. OUTCOMES OF CONSULTATION**

- 7.1 All four Humber councils have consulted with officers of the Police and Fire authorities who are supportive of the proposed approach outlined in paragraph 3.3.
- 7.2 This report seeks approval to undertake further detailed consultation with all relevant stakeholders. This will allow the council to make an informed decision on the local scheme in time for implementation in 2013/14.

## **8. RECOMMENDATIONS**

- 8.1 That scheme 1 be adopted as the draft scheme for public consultation, as set out in appendix D
- 8.2 That the consultation be carried out in line with the elements and timescale set out in paragraphs 4.16 to 4.21
- 8.3 That the consultation includes a proposed Housing Costs Support Fund to cover cases of financial difficulty (appendix E)
- 8.4 That the format of the consultation with taxpayers and claimants be as set out in appendix F
- 8.5 That the outcomes of consultation be reported to council in November for a decision to be made on the final scheme.

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**Background Papers used in the preparation of this report:**

Communities and Local Government guidance documents on Localising Support for Council Tax:

A statement of Intent

Funding arrangements for Consultation

Taking work incentives into account

Vulnerable People, Key Local Authority Duties

Appendix A

**North Lincolnshire Council - Localisation of Council Tax Support - Indicative Figures**

		2012/13	2013/14				
	Band D Amount 2012/13 £	Council Tax Precept £m	Less withdrawal of CTB £m	Reduced Council Tax Precept £m	Indicative Government Support Funding £m	Total Council Tax precept plus Govt funding £m	Shortfall £m
Council (including special expenses)	1,284.88	66.926	- 10.781	56.145	9.680	65.825	- 1.101
Town and Parish Councils	26.31	1.370	- 0.221	1.149	0.196	1.345	- 0.025
Fire (NLC taxbase)	77.92	4.059	- 0.654	3.405	0.588	3.993	- 0.066
Police (NLC taxbase)	173.12	9.017	- 1.453	7.564	1.303	8.868	- 0.149
	1,562.23	81.372	- 13.108	68.264	11.767	80.030	- 1.342

## Distribution of claimants by council tax band (May 2012)

## Appendix B

North Lincolnshire Band	On Benefit	Pensioners	Working Age Claimants	%	%	
@	42	24	18	0.21		Those disabled entitled to a reduced rate
A	12,986	5,907	7,079	81.37		
B	2,220	1,262	958	11.01		
C	1,133	747	386	4.44		
D	353	202	151	1.74	98.55	% band A, B, C & D
E	139	65	74	0.85		
F	46	15	31	0.36		
G	7	4	3	0.03		
H	0		0	0.00	1.21	% band E F & G
<b>TOTAL</b>	<b>16,926</b>	<b>8,226</b>	<b>8,700</b>	<b>100.00</b>	<b>108</b>	Number of households
		<b>49%</b>	<b>51%</b>			

## Council Tax Support Scheme Options

## Appendix C

	Scheme 1 - Pensioners Only		Scheme 2 - 100% protection for Pensioners ,Child Und. 5 & Disability		Scheme 3 - 100% protection for Pensioners ,80% Child Und 5 & Disability	
	number	£	number	£	number	£
Total CTB recipients	16,926	13,530,900	16,926	13,530,900	16,926	13,530,900
less: pensioners	8,226	6,776,757	8,226	6,776,757	8,226	6,776,757
less: child under 5			1,951	1,671,878	1,951	1,203,752
less: disability allowance			555	453,001	555	326,161
Remaining Caseload	8,700	6,754,143	6,194	4,629,264	6,194	5,224,230
less: reduction required		1,342,000		1,342,000		1,342,000
Available CTR funds		5,412,143		3,287,264		3,882,230
Average annual CTB		799.42		799.42		799.42
Average annual CTR		622.09		530.72		626.77
<b>Average % Required per Claimant</b>		<b>-22.18</b>		<b>-33.61</b>		<b>-21.60</b>
Average Reduction (Benefit to Rebate)						
Annual		177.33		268.70		172.64
Monthly		14.78		22.39		14.39
Weekly		3.41		5.17		3.32

## **North Lincolnshire Council Tax Support Proposed Scheme Outline**

### **1. Introduction**

At Spending Review 2010 the Government announced that it would localise support for council tax from 2013-14, reducing expenditure by 10 per cent. The Welfare Reform Act 2012 provides for the abolition of council tax benefit, paving the way for new localised council tax reduction schemes. Within North Lincolnshire the cost of Council Tax Benefit is in excess of £13m each year. To meet Government requirements, a reduction of £1.3m in the total annual cost must be implemented from April 2013.

In April 2013, Council Tax Benefit, the current means of helping people on low incomes meet their Council Tax obligations, will be replaced by a new localised support scheme defined by each Council.

The Government has stated that pensioners will be protected from any changes to their level of entitlement under the local schemes. Working age claimants not being the subject of any Government direction, shall however be subject to the provisions of the locally defined scheme.

This document sets out the Council's proposed scheme and should be read in conjunction with the consultation questionnaire seeking comments and views on the proposed arrangements.

The proposals may be subject to change for the following reasons;

- in response to findings from the consultation process
- any statutory provisions made that take precedence over the scheme proposals
- changes in caseload profile may lead to a reduction or increase in the level of support which can be made available

However, the final scheme shall be subject to approval by the Council no later than 31st January 2013.

The Council is required to publish details of its proposed draft scheme and some of the contents of this document are by its very nature, technical in detail. However every effort has been made to present the information in Plain English.

### **2. North Lincolnshire Council Tax Support Scheme Key Principles**

In developing the proposed scheme a number of key principles have been taken into account:

- a) That 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)

## **North Lincolnshire Council Tax Support Proposed Scheme Outline**

- b) That the scheme will provide mandatory protection for eligible pensioners
- c) That council tax support will be limited to the reduced level of funding provided by government, and not subsidised by reducing services or increasing council tax
- d) That the scheme provides an incentive to work for working age claimants
- e) That some provision is made to offer financial support on an exceptional basis for those who face unavoidable financial difficulties, through a Council Tax Support Scheme

The Council will consult on whether to protect other vulnerable groups including the disabled and families with a child under 5.

### **3. North Lincolnshire Council Tax Support Scheme**

Under the proposal there will be two distinct claimant groups;

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

This document will outline the impact of the localised Council Tax Support scheme on each of these groups.

#### **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. As per Government intention, a Pension Age claimant must see no reduction in the percentage level of support they received under Council Tax Benefit, to that they will receive under Council tax Support.

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

## **North Lincolnshire Council Tax Support Proposed Scheme Outline**

- 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

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

1. a claimants entitlement to support will be calculated using existing Council tax Benefit regulations
2. the level of support to which the claimant is entitled will be deducted from their Council Tax liability
3. 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

For Pension Age claimants already in receipt of Council Tax Benefit, they will automatically transfer over to receiving Council Tax Support. For new claimants after 01 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 localised Council Tax Support scheme as they did under Council Tax Benefit

## North Lincolnshire Council Tax Support Proposed Scheme Outline

### 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 Annex1) 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.

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

1. a claimants entitlement to support will be calculated using existing Council tax Benefit regulations

## **North Lincolnshire Council Tax Support Proposed Scheme Outline**

2. when this calculation has been completed a maximum entitlement of 77% will be allowed under the localised scheme
3. once the level of award is 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
4. 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

For Working Age claimants already in receipt of Council Tax Benefit, they will automatically transfer over to receiving Council Tax Support on 01/04/13 at the new level of entitlement. For new claimants after 01 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 77% of the level of support which they would be entitled to under the current Council Tax Benefit regulations

#### **4. Council Tax Support Fund**

A Housing Costs Support Fund is also proposed to help those who face substantial financial difficulties, combining Discretionary Housing Payments (DHP) funding with council funding. The award would give extra support to those experiencing difficulties in paying rent and/or council tax. Payments would be awarded for a limited period, up to 26 weeks

This scheme is available to 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. 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 and

## North Lincolnshire Council Tax Support Proposed Scheme Outline

council tax costs. The proposal is that a support fund of £200k (inclusive of Government DHP funding) is put in place. In assessing Hardship, a view will be taken of the reasonableness of the current outgoings and the emphasis will be on helping claimants to adjust their outgoings so that they are able to better afford their necessary costs at the end of the support period.

### 5. Prescribed Requirements

The government's prescribed requirements will ensure that local Council Tax Support (CTS) schemes operated by Local Authorities contain any requirements prescribed by the Secretary of State. Currently, the following requirements are to be prescribed by the Secretary of State and will therefore apply to the Council's local CTS scheme and affect both working age and non-working age claims alike.

#### 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 EEA individuals who are not exercising 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.

### 6. North Lincolnshire Council Tax Support Scheme Summary

The proposed scheme in North Lincolnshire is;

- existing Council Tax Benefit regulations will apply when calculating the level of support which a claimant is entitled
- if the claimant is of Pension Age they will receive the full level of support they are entitled to using the existing regulations
- if the claimant is of Working Age they will receive 77% of the entitlement as calculated using the existing regulations

## **North Lincolnshire Council Tax Support Proposed Scheme Outline**

- 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
- a support fund is put in place to help claimants who will face substantial financial difficulties due to the introduction of the localised Council Tax Support scheme

# North Lincolnshire Council Tax Support Proposed Scheme Outline

## Annex 1

### Applicable Amounts

Applicable amounts start with a personal allowance, this is the minimum level of weekly income that the Government says you need to live on. It is based on your age and if you are single or part of a couple.

#### 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

Please note: You may also be entitled to additional premiums on top of your personal allowance, if you are responsible for a child, have a disability or are in receipt of ESA

### **The proposal**

The council already administers a Discretionary Housing Payments scheme funded by the government. This is a short-term emergency fund to meet the housing costs of customers in rented accommodation facing short-term financial difficulties. It can be used to cover some or all of a shortfall between rent and housing benefit. The sum is cash-limited, though the council can top it up if it wishes. Last year 69 awards were made totalling £31k.

The replacement of council tax benefit with a local council tax support scheme (LCTSS) could affect the level of support provided to those currently eligible. If the local scheme passes on the reduction in government funding (10% or £1.1m) unprotected customers will need to pay any difference. This is estimated to be £177 a year on average if the LCTSS only protects eligible pensioners (the minimum legal requirement).

A Housing Costs Support Fund (HCSF) is therefore proposed to help those who face substantial financial difficulties, combining DHP funding with council funding. The award would give extra support to those experiencing difficulties in paying rent and/or council tax. Payments would be awarded for a limited period, up to 26 weeks

### **Who would be eligible?**

People experiencing a reduction in the level of support they receive due to the localisation of the LCTSS; and people having difficulty meeting rental payments. 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.

An application form and procedure would be required, including an appeals process.

### **Decision making process**

The proposal is that the level of support provided is based on a full customer income and expenditure analysis as for the current DHP scheme. This is an established process. Short-term support for housing costs, including council tax, would be considered as part of a single application.

Decisions would be made by a panel drawn from council officers and support organisations in the area. Decisions would be made and communicated within 21 days of receipt of the request for support.

### **How much could be awarded?**

If requests for support are successful, the award would be for up to 26 weeks while customers resolve their financial difficulties. The value would depend on customer circumstances. If there is an element for council tax this would automatically reduce the council tax liability and would not be a cash payment to the applicant.

### **How large should the fund be?**

It is difficult to estimate how many might qualify for such a Support Fund, but numbers eligible for council tax benefit are significantly greater than for housing benefit. DHP funding increased substantially in 2012/13 to £76k with carry forward from 2011/12 making a total of £93k. This is because the government expects more cases of financial hardship arising from changes to eligibility criteria for housing benefit. Prudence would therefore suggest a council contribution of around £110k (10% of £1.1m) to give a combined HCSF of £200k.

## **North Lincolnshire Council Tax Support Proposed Scheme Consultation Questions**

### **Introduction**

In 2010 the Government announced its intention to replace council tax benefit with a new localised council tax reduction scheme. The scheme must be agreed by 31 January 2013. It will come into force from April 2013.

There are key requirements of the scheme imposed by Government. In North Lincolnshire these are that pensioners must be protected and to avoid extra cost to the local taxpayer £1.3m of savings must be made.

We have a view on how this may operate in North Lincolnshire, but we need your feedback to tell us of any changes that may be required. We will take your views into account in making our final decision on the scheme in November.

### **North Lincolnshire's Key Principles**

Our key principles:

- a) 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)
- b) Pensioners will be protected.
- c) Council tax support should not be subsidised by reducing services or increasing council tax
- d) The scheme should provide an incentive to work for working age claimants
- e) Some provision is made to offer financial support on an exceptional basis for those who face unavoidable financial difficulties, through a Council Tax Support Scheme

In addition, we are keen to consult on whether the scheme should seek to offer additional protection for vulnerable groups.

### **North Lincolnshire's Proposals**

- 1. Protect the level of support currently received by Pension Age claimants**
- 2. To provide an incentive to work, the level of support for all Working Age claimants will be reduced by 23%**
- 3. Provide a £200,000 support fund to help those claimants suffering from unavoidable financial difficulties.**

## North Lincolnshire Council Tax Support Proposed Scheme Consultation Questions

### Your Views

With reference to the our adopted principles, please state whether you agree that these should be taken into account when designing a local scheme.

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
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)					
Council tax support should not be subsidised by reducing services or increasing council tax					
The scheme should provide an incentive to work for working age claimants					
A £200,000 support scheme is created to offer financial support on an exceptional basis for those who face unavoidable financial difficulties					

Question – Do you have any additional comments on our key scheme principles?

Are there any other groups that you feel should receive additional support ?

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
Families with a child under 5					
Claimants in receipt of disability benefits					
Claimants at risk of / or who are homeless					
Claimants who are in low paid work					

## North Lincolnshire Council Tax Support Proposed Scheme Consultation Questions

In order to support these claimants, how should this additional help be funded?

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
Reducing other council services					
Reducing support for other tax support claimants					
Increasing Council Tax for all					
Using the Support Fund					
None of these					

If additional financial support is offered those who face unavoidable difficulties, who should it be available to?

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
All Council Tax Support claimants					
Targeted to families with a child under 5					
Targeted to claimants in receipt of disability benefits					
Targeted to claimants at risk of / or who are homeless					
Targeted to claimants who are in low paid work					

By completing this questionnaire and providing your details below you will be entered into a prize draw. There will be five prizes of a £50 contribution towards your 2012/13 council tax bill.

Name and address:

E-mail address:

Contact telephone number: