

**OVERVIEW & SCRUTINY PANEL
(SOCIAL WELL-BEING)**

4 DECEMBER 2012

CABINET

13 DECEMBER 2012

COUNCIL

19 DECEMBER 2012

**COUNCIL TAX SUPPORT FROM 1 APRIL 2013
(Report by the Head of Customer Services)**

1. INTRODUCTION

- 1.1 The current national Council Tax Benefit (CTB) scheme is to be abolished on 31 March 2013 and will be replaced by a local Council Tax Support scheme on 1 April 2013. The Local Government Finance Act 2012 has now received Royal Assent.
- 1.2 The Council has undertaken a statutory consultation exercise on the Draft Council Tax Support (CTS) scheme, The results have informed the design of the final scheme and are included in this report for Members' consideration.
- 1.3 The scheme must be in place by 31 January 2013 and have received full Council approval. Failure to do so will result in the Government's default scheme being imposed which will follow Council Tax Benefit rules and therefore cost more.
- 1.4 Financial information is contained within this report. A separate paper is also on the Cabinet agenda regarding the Council Tax Technical Reforms which enable local authorities to amend some of the discounts currently granted on properties. These changes generate more income to the Council and will be used to mitigate the impact of the budget cuts in relation to the CTS scheme.
- 1.5 Pensioners must be protected from any changes and receive the same amount of support that they would under the current CTB scheme. They are not impacted by CTS.

2. FINANCIAL UPDATE

- 2.1 In October 2012, the Secretary of State for Communities and Local Government announced that transitional funding would be made available to councils whose schemes met three specific criteria. One of the criteria was to limit the amount of CTS to not less than 91.5% of the full council tax charge.
- 2.2 Assuming all criteria were met, HDC and its major preceptors would have been eligible for additional funding of £189K. This grant would be for 2013/14 only, and the Council would have to revert to an alternative scheme the following year.

2.3 The table shows the impact on the collection fund for both the HDC proposed scheme and the government transitional scheme.

	Proposed Scheme £'000	Transitional Scheme £'000
Impact on Collection Fund*		
Council Tax support	7721	8141
Council Tax Technical Reforms	<u>-814</u>	<u>-814</u>
	6907	7327
Government grants to HDC and precepting authorities		
	<u>-6984</u>	<u>-6984</u>
Extra transitional grant		<u>-189</u>
Net Impact	<u>-77</u>	<u>154</u>
Impact on individual authorities		
Towns / parishes	-42	-42
County	-54	109
Fire	-3	6
Police	-9	18
HDC **	<u>31</u>	<u>63</u>
	<u>-77</u>	<u>154</u>

* Assumes all preceptors increase Council Tax by 2%

** In addition, HDC faces additional costs of around £195k in either case

2.4 It is therefore proposed that HDC approve the HDC scheme and reject the transitional grant proposed by the Government.

3. SCHEME DETAILS

3.1 The following principles were at the core of designing the HDC draft Council Tax Support scheme and were the subject of the consultation:

- everyone of working age should pay something towards their Council Tax (although there was some protection for the most vulnerable)
- the scheme should provide some protection for the most vulnerable in society
- the scheme should incentivise and support people moving into work and help those on low paid work.

A summary of the differences between the current CTB scheme and the proposed CTS scheme which the Council consulted on is shown at [Appendix A](#).

- 3.2 CTS for pensioners will be worked out using a set of prescribed regulations which in effect mirrors the current CTB regulations.
- 3.3 In order to make the necessary savings and to be able to provide some protection for the most vulnerable claimants, the scheme for working age people will mean that the majority of claimants will have their CTS entitlement based on 80% of the Council Tax charge. Households with a child under the age of 5 will have their entitlement based on 85% of the charge and people in receipt of the Severe Disability or Disabled Child Premium will have their CTS based on the full charge.
- 3.4 This means that a large number of people who currently don't have to pay anything towards the Council Tax will have to; this includes people on Income Support, Jobseeker's Allowance or Employment Support Allowance.
- 3.5 Officers have prepared an Equality Impact Assessment (EIA) that shows the impact of the proposals on affected groups of people with protected characteristics under the Equality Act 2010. Members are required to have "Due Regard" to this assessment when making their decision. [The EIA is available on this link.](#)
- 3.6 In particular, members are requested to note the findings on page 11 of the EIA document, and have due regard to the comments about child benefit and child maintenance income.

4. CONSULTATION

- 4.1 The consultation took place between 20 August and 14 October 2012, and we received 424 responses. A complete report showing the analysis of the consultation and the comments received can be found [here](#). A summary of the responses is at [Appendix B](#)
- 4.2 In the main, responses to the consultation have been reasonably positive. As expected, groups who are to be most affected by the changes have been less inclined to support any reduction. Having considered the feedback received, the Project Board recommends that the draft scheme be (in the main) adopted.
- 4.3 However, the following exceptions to the draft CTS scheme are being put forward for the reasons set out below;
- Backdating of up to six months should be allowed as currently under the Council Tax Benefit scheme. This is to allow parity with the Housing Benefit scheme and to prevent small, hard to collect debts being created.
 - The capital limit should not be reduced to £10k but remain at the existing CTB level of £16k and include tariff income from capital. This will allow parity with the Housing Benefit scheme and should make administration easier once Universal Credit is implemented.
- 4.4 A full version of the proposed CTS scheme can be found via [this link](#).

5. RECOMMENDATION

- 5.1 That, having paid due regard to the Equality Impact Assessment, the HDC Proposed Council Tax Support Scheme be approved.
- 5.2 That, in accordance with Section 10 and Schedule 4 of the Local Government Finance Act 2012, the Head of Customer Services be authorised to administer the Council Tax Support Scheme and the Council's scheme of delegation be amended accordingly.'

Background papers:

<http://www.huntingdonshire.gov.uk/Money%20and%20Benefits/Pages/CouncilTaxSupportConsultation.aspx>

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Summary of the Main Changes between Council Tax Benefit and the Draft Council Tax Support Scheme 2013/14

The table below shows a brief overview of how certain rules in the current Council Tax Benefit scheme will be dealt with under Huntingdonshire District Council's draft Council Tax Support Scheme. For full details on the proposals of our draft scheme please refer to the 'Draft Council Tax Support Scheme' document.

Feature of Draft Scheme	Council Tax Benefit Scheme	Local Council Tax Support Scheme	Paragraph in Draft Scheme
Pension age customers	Assessed under a national set of rules.	No change.	2.2
Working age customers	Assessed under a national set of rules.	Entitlement will be assessed under locally defined rules.	2.4
Council Tax amount used in benefit calculation for most customers	Benefit entitlement assessed using 100% of the Council Tax charge.	No change for pension age customers but entitlement assessed using 80% of the Council Tax charge for most working age customers.	2.8
Council Tax amount used in benefit calculation for vulnerable customers	Benefit entitlement assessed using 100% of the Council Tax charge.	No change for pension age customers but entitlement assessed using 85% of the Council Tax charge for working age customers with children under the age of 5. Working age customers who receive a severe disability or disabled child premium in the assessment of their Council Tax Support, Income Support, Job Seekers Allowance (IB) or Employment Support Allowance (IR) to have entitlement based on 100% of the Council Tax charge.	2.8, 3.1

Feature of Draft Scheme	Council Tax Benefit Scheme	Local Council Tax Support Scheme	Paragraph in Draft Scheme
Child Benefit income	Not counted as part of the benefit assessment.	Child Benefit in respect of the eldest child will not be counted in the income assessment but all other Child Benefit will be included.	2.10
Child Maintenance income	Not counted as part of the benefit assessment.	Only the first £10 per week will not be counted in the income assessment.	2.11
Earned income disregards	<p>Different amounts of earnings are not included in the benefit assessment depending on certain circumstances. The main earned disregards are £5 per week for single people and £10 per week for couples.</p> <p>An additional earnings disregard can also be awarded where:</p> <ul style="list-style-type: none"> ➤ It is included in Working Tax Credit, or ➤ Customers (or their partner) with children are working 16 hours or more each week, or ➤ Single people are aged 25 or more and work at least 30 hours each week, or ➤ Couples without children are working, and the person in work is aged at least 25 and working at least 30 hours each week 	<p>The first £10 received each week in respect of a single person and the first £20 received each week in respect of couples will not be counted in the income assessment. This doubles the amount currently disregarded under Council Tax Benefit.</p> <p>Similar qualification rules for an additional earnings disregard will apply as under Council Tax Benefit but, customers (or their partner) with children must be working 24 hours or more each week.</p>	2.12 2.13
Savings	No entitlement to benefit where savings are at or above £16,000. In addition, £1 per week is added to the income assessment for every £250 where savings exceed £6000.	No entitlement to support where savings are at or above £10,000. No additional income will be added to the income assessment.	2.15
Non-dependants (people who live in the customers)	A range of deductions from benefit can be made based on a non-dependants age, whether they are working and their level of income. No deduction is made where the non-dependant is	There will be two levels of deduction for working age customers - £5 per week for each non-dependant not in work, and £7 per week for each non-dependant in work.	2.16

Feature of Draft Scheme	Council Tax Benefit Scheme	Local Council Tax Support Scheme	Paragraph in Draft Scheme
household)	receiving Pension Credit, Income Support, Income Based Job Seekers Allowance or Income Related Employment Support Allowance.		
Second Adult Rebate	Rebate that assesses the income of second adult(s) in the property and allows for Council Tax reduction of up to 25%.	Second Adult Rebate will be abolished for working age customers.	2.17
Discretionary Support Fund	Additional benefit can be awarded in exceptional circumstances but is based on local discretion and limited funds.	We are considering the possibility of setting up a limited fund to provide additional help in exceptional circumstances. No details have been decided at this stage.	2.20

SUMMARY OF RESPONSES

The detail supporting the summaries can be found in the appendices to the Consultation report which is available via this [link](#).

Q	To what extent do you agree or disagree that...	Strongly agree/ agree	Disagree/ strongly disagree	Summary
1	The most vulnerable people should not be affected by the reduction in funding to the same extent as other working age customers	85%	6%	A high proportion agreed that the most vulnerable people should not be affected. This high level of agreement was similar over all the categories. There were slightly higher levels of disagreement among those who pay CT but don't receive CTB and those with children aged under 5 in their households. Overall, c9% neither agreed nor disagreed.
3	Our local scheme should incentivise and support people moving into work, and help those in low paid work	78%	10%	A high proportion agreed with this principle. There were slightly higher levels of disagreement among female CTB claimants, CTB claimants with children under 5 in their households and working age CTB claimants. Overall, c12% neither agreed nor disagreed.
4	Child Benefit for all except the eldest child in a household should be included in the assessment of a claimant's income	53%	34%	Overall, there was a higher level of agreement than disagreement with this statement. However, results varied between different groups. The highest levels of support were from those not in receipt of CTB, in a pensioner only household or aged 60+. The highest levels of disagreement were from CTB claimants and households with children. Overall, c13% neither agreed nor disagreed.
5	Only the first £10 per week of any income from child maintenance payments should not be included	50%	33%	Overall, there was a higher level of agreement than disagreement with this statement. There was little difference in whether respondents were in receipt of CTB

Q	To what extent do you agree or disagree that...	Strongly agree/ agree	Disagree/ strongly disagree	Summary
	in the assessment of a claimant's income			or not. The strongest support came from pensioner only households while those with children under 5 in their households were most likely to disagree. Overall, c17% neither agreed nor disagreed.
6	Those with savings of over £10,000 should not be eligible for any Council Tax Support	67%	23%	A high proportion agreed with this principle. Households with children and pensioner only households were most likely to agree and those aged 16-34 were most likely to disagree. Overall, 10% neither agreed nor disagreed.
7	The Second Adult Rebate for working age people should be abolished	56%	25%	There was a higher level of agreement than disagreement with this statement. The highest levels of support were among those paying CT but not receiving CTB, males and those living in pensioner only households. The lowest levels of support were among those claiming CTB, single parents and disabled respondents. Overall, 19% neither agreed nor disagreed.
8	Deductions from Council Tax Support should be made where working age claimants have non-dependants living with them	57%	21%	There was a higher level of agreement than disagreement with this statement. The highest levels of support were among those paying CT but not receiving CTB, males, those in the 60+ age group and those from pensioner only households. The lowest levels of support were among those claiming CTB and those who said they are disabled. Overall, c22% neither agreed nor disagreed.

Q2a. Do you agree with the principle that everyone of working age should pay something towards their Council Tax bill?

	Do you agree with the principle that everyone of working age should pay something towards their Council Tax bill?	<u>'Yes'</u> 69%	
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Overall a high percentage agreed that working age people should pay something towards their council tax bill. The strongest support came from those who pay Council Tax but are not in receipt of CTB, those aged 60+ and pensioner households. Those on CTB, single parents and disabled respondents were closer to a 50/50 split between the numbers agreeing and disagreeing with this principle.

Q2b. If yes, how much is the minimum you think they should pay?

Q2b	If yes, how much is the minimum you think they should pay?	$\frac{\text{'10\%'}}{41\%}$	$\frac{\text{'20\%'}}{31\%}$	$\frac{\text{'30\%'}}{28\%}$
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If respondents agreed with paying something towards council tax we also wanted to understand at what level it was felt this should be set at – 10%, 20% or 30%.

Overall, 41% selected the lowest amount of 10% but 59% selected a higher amount than this.

Among those in receipt of CTB, not surprisingly, the lower 10% option received more support than average (61%) but nearly four out of ten selected a higher amount. Those paying CT but not in receipt of CTB were less likely to select the lowest amount (32%), with more than two-thirds selecting a higher amount.

Comparing results by age group shows that those aged 35-59 were most likely to select the lower 10% option (45%) but the majority still selected a higher amount. Those aged 60+ were most likely to select the higher 30% option (35%).

Nearly half of the respondents from households with children selected the lower 10% option (48%) although nearly a third of these selected the highest 30% option (30%). 60% of single parents selected the lower 10% option but more than a quarter selected the highest 30% option (27%). Pensioner only households were least likely to select the lower 10% option (29%), with 72% selecting a higher amount.

More than half of disabled respondents selected the lower 10% option (56%), nearly a third selected 20% (30%) and less than one in six opted for a 30% contribution (14%).

Summary of findings

- Some areas have provoked a clear trend, with the majority of people in all groups agreeing that we should protect the most vulnerable, encourage people back to work and not provide Council Tax Support to those with savings over £10,000.
- There are areas where there is a less clear response overall and where responses from different groups vary considerably. These are taking child benefit into consideration, ignoring the first £10 a week of child maintenance income, removing second adult rebate and making deductions where non-dependants are in residence.
- There is overall support for people to pay something towards their Council Tax bill. However, as would be expected there is a large difference between the views of those paying Council Tax but not in receipt of CTB and those who are in receipt of CTB. Similarly, views on the level of contribution vary considerably with those in receipt of CTB nearly twice as likely to select the lowest contribution level.
- The survey asked for comments and suggestions which have been categorised and reported at Appendix 11 and are also listed in full at Appendix 12. A wide range of comments were received, with some supporting our proposals and others posing arguments against particular elements of our scheme.