

## Localising Support for Council Tax in England

### Report by the Director for Customer Services

#### 1.0 SUMMARY

- 1.1 From 31 March 2013 the national Council Tax Benefit scheme was abolished and each Council was required to determine its own local Council Tax Support scheme. There are statutory protections for all pensioners and refugees, so local schemes only apply to “working age” customers.
- 1.2 The introduction of local schemes was accompanied by a reduction of a little under 10% in the amount of subsidy paid to local authorities. Overall the net cost of introducing the scheme in 2013/14 was as follows:

	<b>2013/14 estimated cost of CTS</b>	<b>Council share of overall cost</b>	<b>Grant received</b>	<b>Net cost</b>	<b>Percentage shortfall in funding</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Adur	5,370.10	924.60	-850.00	74.60	8.07%
Worthing	7,417.00	1,056.50	-947.00	109.50	10.36%

- 1.3 Almost exactly half the Council Tax Support caseloads for both Adur and Worthing relate to pensioners. Therefore to reduce the overall cost of benefits paid by an equivalent amount there would need to be a potential reduction in awards for working age customers of around 20%.
- 1.4 In respect of 2013/14, Members determined that the localised schemes for both Adur and Worthing should replicate the previous national scheme and that the Councils would fund the reduction in subsidy received by utilising the new Council Tax Freedoms. Following a report that was considered by the Joint Strategic Committee on 4<sup>th</sup> July 2013 the Councils accepted the Committee’s recommendation that the localised scheme should remain unchanged for 2014/15.
- 1.5 Where the scheme for the forthcoming financial year is varied from the previous year’s scheme the Councils are obliged to consult with residents. Although no changes were implemented in respect of 2014/15, Members nevertheless requested that questions relating to the 2015/16 Council Tax Support scheme were included within the “Your Chance To Be Chancellor” consultation that was undertaken during the summer of 2013.

## 1.0 SUMMARY

- 1.6 This report asks members to consider whether the localised scheme should be changed or remain unchanged for 2015/16.

## 2.0 BACKGROUND

- 2.1 The Councils have previously been approached by Arun District Council, Chichester District Council and Horsham District Council to consider working together to develop a new scheme for all five Councils that would have the advantage of reducing scheme development costs. Meetings (facilitated by an independent consultant, David Airey) were held during May and June 2013 with the eventual outcome that a common framework was developed which could be tailored to individual Council needs. The final schemes of Arun, Chichester, Adur and Worthing were similar, however Horsham decided to restrict awards of Council Tax Support to working age customers.
- 2.2 The consequence of reducing Council Tax Support awards is that individual customers will be asked to pay some (or more) Council Tax compared to previous years. Where customers do not make the payments requested, additional pressure will be placed on the Revenues & Recovery Teams to recover the sums outstanding and it is likely that in-year collection rates will deteriorate. Additionally, more residents are likely to seek advice from organisations such as Citizens Advice as reported in a recent study by the Institute of Fiscal Studies:

***“Introducing minimum payments has increased the number of people seeking advice about council tax debt. It remains to be seen how successfully the local authorities concerned manage to collect the council tax that they have asked for.”***

***Stuart Adam, a Senior Research Economist at IFS***

- 2.3 In addition, the Joseph Rowntree foundation reported that:
- In 2014/15 2.34 million low-income families will pay on average £149 more in council tax per year than they would have under CTB. Around 70,000 families will have their support cut for the first time and a further 580,000 families will see a second successive change in their entitlement.
  - Of the 2.34 million affected families, 1.5 million were in poverty (measured after housing costs) and 1.8 million were workless families. The uniform exemption from paying council tax for low-income households no longer exists.
  - Levels of arrears and bailiff referrals linked to the non-payment of council tax increased following the introduction of CTS while the collection rate fell. This is true across England, but the largest increases in arrears were in those areas that introduced a minimum payment.

## 2.0 BACKGROUND

- 2.4 Consequently, whilst reducing the amount of Council Tax support paid would reduce the financial burden on the Councils, there may be additional costs in terms of write-offs and debt recovery. In addition, there is a concern that the Council may see an increase in demand for services in other areas as a result of increasing poverty.

## 3.0 FINANCIAL CONSIDERATIONS

- 3.1 Overall, the cost of Council Tax Support in 2013/14 when the scheme was implemented was estimated to be:

	District/ Borough Share	Parish Council	County Council	Police and Crime Commissioner	Total
	£'000	£'000	£'000	£'000	£'000
Adur	924.6	61.8	3,917.1	466.6	5,370.1
Worthing	1,056.5	0	5,683.5	677.0	7,417.0

- 3.2 Against this cost the Councils received an increase in government funding of £850,000 for Adur District Council and £947,000 for Worthing Borough Council which in both cases was less than the cost of benefits (Adur 8.3% and Worthing 10.4%).
- 3.3 To fund the cost in 2013/14, both Councils introduced changes to Council Tax discounts using the new Council Tax Freedoms and embarked on a Single Person Council Tax Discount review.
- 3.4 For 2014/15, the links between the cost of the support and grant were broken with the grant for the cost of Council Tax Support being consolidated into the new funding system. Overall funding was reduced to both Councils by around 13% in 2014/15 and consequently the net cost to the Council increased, this is despite a reduction in the cost of Council Tax Support itself.

	2014/15 estimated cost of CTS	Council share of overall cost	Grant received	Net cost	Percentage shortfall in funding
	£'000	£'000	£'000	£'000	%
Adur	5,087.10	874.30	-735.80	138.50	15.84%
Worthing	7,324.20	1,041.40	-820.40	221.00	21.22%

### **3.0 FINANCIAL CONSIDERATIONS**

- 3.5 The Councils will receive supplementary grant in the current year of £67,350 for Adur District Council and £79,640 for Worthing Borough Council for any costs associated with Council Tax Support Scheme which will be used to fund any scheme development costs and associated system development costs.
- 3.6 Members should be aware that only 'restricting the liability' to 10% or 20% will make a significant impact on cost of Council Tax Support as shown in Appendix 1. This would have the impact of ensuring that every claimant pays at least 10 or 20% of the bill.

### **4.0 POTENTIAL RESTRICTIONS**

- 4.1 Broadly, changes to the support scheme can be adopted such that entitlement is tailored for specific claimant groups or applies more broadly in a way that results in most customers being required to pay some (or more) Council Tax.
- 4.2 Nationally, common changes that have been introduced from 1 April 2013 in respect of localised Council Tax Support schemes include:
- Reducing the Council Tax liability that is used in the calculation (e.g. a restriction to the Council Tax Band D charge)
  - Reducing (by either a percentage or a fixed sum) the weekly award
  - Introducing minimum weekly awards (typically £1 or £5)
  - Reducing the capital limit above which no assistance is provided (currently £16,000)
  - Including certain types of income in the calculation (e.g. Child Benefit, Child Maintenance or Disability Living Allowance)
  - Amending the way in which self-employed earnings are calculated, including the introduction of an assumed minimum income linked to the National Minimum Wage
  - Removing Second Adult Rebate
  - Increasing the level of non-dependant deductions
  - Adding the income of non-dependants to the claimant's income
  - Increasing the taper applied to excess income (which is currently 20% to between 25% and 35%)

## 4.0 POTENTIAL RESTRICTIONS

- Removing or increasing the period for which Extended Payments are awarded
- Reducing or removing earned income disregards
- Introducing a residency test whereby claimants must have been resident in the district/borough for a period before being able to claim (typically, a period of two years but in at least once case five years)
- Identifying specific vulnerable groups of claimants

Some of these are discussed in more detail below.

- 4.3 Whilst differing policies continue to emerge across the country, Councils are sharing knowledge and ideas on how to develop the new scheme. At the working party meeting held on 15 May 2013 it was recommended that a county-wide framework should be adopted whereby participating local authorities agree the elements that can be amended whilst each Council retains the ability to determine which of the parameters are changed and the extent of the change in respect of its residents. The advantage to this approach is that the Councils can share the administrative cost of setting up local schemes whilst retaining the ability to tailor the scheme to reflect local priorities.
- 4.4 Modelling applied to the current live Council Tax Support caseloads in respect of working age customers indicate that the financial savings detailed in appendix 1 could be achieved by applying certain restrictions.
- 4.5 Members are asked to consider whether they wish to make any changes to the 2015/16 Council Tax Support Scheme. The Councils can make different policy decisions; consequently the question will be asked separately for each Council.
- 4.6 If a change to the scheme is desired, then in scheme design terms it would be useful if Members would indicated the overall reduction in costs required. It should be appreciated that, due to the level of protection given to pensioners who are approximately 50% of all claimants, the impact felt by working-age claimants will be double that of the overall reduction. For example, a 10% overall reduction in costs will be a 20% reduction for individual working age claimants. To help inform this discussion the outcome of the consultation held last year is attached at Appendix 2.
- 4.7 If Members wish to make a change to the level of support offered, they will be asked to consider in broad policy terms which changes they would like to adopt. These are the options which will generate most of the desired level of savings. The options are:
- i) All residents pay something. This can be achieved by limiting the overall liability by, say, 10% or 20%; or

## 4.0 POTENTIAL RESTRICTIONS

- ii) Most residents pay something except those in lower cost housing. This can be achieved through restricting the liability to a Band C which is the most common banding for Adur and Worthing

4.8 There are also some other minor changes that officers believe could be included within any potential consultation. These changes will not produce any significant saving but may be worth considering for operational or other reasons. These are as follows:

- i) **Capital Limit review:**  
Amend the maximum savings above which there is no entitlement to assistance. Currently, customers with less than £16,000 of savings and investments are potentially entitled to Council Tax Support (subject to an assessment of their other circumstances). This limit could be reduced.
- ii) **Removal of the disregard for child benefit:**  
Council Tax Support is “means tested” whereby as a claimant’s income increases their entitlement to assistance reduces. Child Benefit is not currently included as a source of income when assessing entitlement to support (resulting in a higher level of assistance being awarded than if the income was included). The income disregard could be removed.
- iii) **Removal of the disregard for child maintenance:**  
In most cases, maintenance received in respect of children is fully disregarded. The income disregard could be removed.
- iv) **Second Adult Rebate:**  
Customers can claim assistance to offset the loss of a 25% Single Person Discount on the basis that the second adult who is resident in the property is on a low income and can therefore not afford to contribute towards Council Tax payments. For this purpose, a second adult is typically an adult son/daughter or an elderly parent (the claimant’s partner and boarders/lodgers/sub-tenants are not treated as second adults). Awards of 25%, 15% or 7½% of the Council Tax liability are calculated based on the second adult’s income. This assistance could be removed.

However, Members should be aware that if any of the first three changes are implemented there will be an inconsistency of the treatment of income/capital for those customers claiming both Council Tax Support and Housing Benefit.

4.9 Finally, during the workshop, it emerged that a couple of Councils have instituted a ‘residency test’ based on whether someone has been on the electoral register, paid Council Tax, or been in full time education for a period of time before being eligible for any Council Tax Support. This was introduced because these Councils believed that residents should have contributed to the area in which they live before being able to “take something out”. Members should be aware that it is difficult to estimate the value of the financial savings that would be achieved by implementing this change because it is dependent upon the individual circumstances of customers submitting new claims.

## **5.0 POTENTIAL PROTECTIONS:**

- 5.1 During the first two years of the local schemes the Councils consulted on whether the previous protection offered to war widows and widowers should continue. This received considerable public support. Members will therefore be requested to indicate whether this protection should continue.
- 5.2 Members could also opt to protect other groups from change; for example disabled claimants. However, given the number of legal challenges currently being pursued it is recommended that all working-age claimants be treated the same (e.g. by reducing the Council Tax liability that is used in the Council Tax Support calculation).

## **6.0 PUBLIC CONSULTATION**

- 6.1 Public consultations in respect of the 2013/14 and 2014/15 schemes were conducted by way of a questionnaire delivered to every household in Adur and Worthing, and an online questionnaire placed on the Councils' websites. In 2014/15, the consultation asked questions to help inform the development of the 2015/16 scheme. These are detailed at appendix 2.
- 6.2 If changes are to be considered a similar consultation will need to be conducted in respect of the 2015/16 schemes. It is anticipated that this will be undertaken during the summer/autumn of 2014.

## **7.0 LEGAL**

- 7.1 In respect of 2013/14 and 2014/15, the Councils adopted an amended "default" Council Tax Reduction Scheme in accordance with The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, Statutory Instrument 2012 No. 2886 and The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, Statutory Instrument 2012 No. 2885.

## **8.0 RECOMMENDATIONS**

- 8.1 The Joint Strategic Committee is asked to:
- 8.1.1 Consider whether the 2015/16 scheme should be subject to any change for:
- i) Adur District Council
  - ii) Worthing Borough Council
- 8.1.2 If changes to the scheme are desired, consider which of the options detailed at paragraph 4.7 would be preferred.
- 8.1.3 Agree that residents should be consulted about the options over the Summer.

- 8.1.4 Agree which, if any, of the restrictions detailed in paragraph 4.8 should be included in the budget consultations.
- 8.1.5 Agree that war widows and widowers should continue to receive the same level of protection as they do at present.

**Background Papers:**

Welfare Reform Act 2012

Department for Communities and Local Government Statement of Intent

Local Government Finance Bill 2012

Minutes of the meetings of the Joint Strategic Committee of Adur District and Worthing Borough Councils held on 26 July 2012 and 28 November 2012

Council Tax Support Schemes in England: What Did Local Authorities Choose, and with What Effects? – IFS report R90

How have low-income families been affected by changes to council tax support? – Report by the Joseph Rowntree Foundation

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## **SCHEDULE OF OTHER MATTERS**

### **1.0 COUNCIL PRIORITY**

- 1.1 By undertaking a public consultation about the proposed changes, the Councils will be listening to and engaging with our communities.

### **2.0 SPECIFIC ACTION PLANS**

- 2.1 Matter considered and no issues identified.

### **3.0 SUSTAINABILITY ISSUES**

- 3.1 Matter considered and no issues identified.

### **4.0 EQUALITY ISSUES**

- 4.1 Matter considered and no issues identified.

### **5.0 COMMUNITY SAFETY ISSUES (SECTION 17)**

- 5.1 Matter considered and no issues identified.

### **6.0 HUMAN RIGHTS ISSUES**

- 6.1 Matter considered and no issues identified.

### **7.0 REPUTATION**

- 7.1 Matter considered and no issues identified.

### **8.0 CONSULTATIONS**

- 8.1 Matter considered and no issues identified.

### **9.0 RISK ASSESSMENT**

- 9.1 There is a statutory duty on the Councils to do what is proposed and not doing it would carry severe financial and reputational risks.

### **10.0 HEALTH & SAFETY ISSUES**

- 10.1 Matter considered and no issues identified.

### **11.0 PROCUREMENT STRATEGY**

- 11.1 Matter considered and no issues identified.

### **12.0 PARTNERSHIP WORKING**

- 12.1 Matter considered and no issues identified.

## POTENTIAL FINANCIAL SAVINGS THAT COULD BE ACHIEVED BY APPLYING CERTAIN RESTRICTIONS

## ADUR DISTRICT COUNCIL AREA

	Adur District Council £	West Sussex County Council £	Sussex Police and Crime Commissioner £	Parish Councils £	Total £
Restricting the liability to Council Tax Band C	10,200	43,173	5,143	584	59,100
Restricting the liability to Council Tax Band D	8,871	37,549	4,473	508	51,400
Restricting the liability to Council Tax Band E	8,439	35,722	4,255	483	48,900
Restricting the liability by 10%	52,259	221,200	26,351	2,991	302,800
Restricting the liability by 20%	103,620	438,602	52,249	5,930	600,400
Reducing the capital limit to £10,000	2,223	9,424	1,123	127	12,900
Reducing the capital limit to £6,000	5,074	21,477	2,558	290	29,400
Taking Child Benefit into account as income in full	30,737	130,105	15,499	1,759	178,100
Taking child maintenance into account as income in full	5,074	21,477	2,558	290	29,400
Removing Second Adult Rebate	1,605	6,794	809	92	9,300

## POTENTIAL FINANCIAL SAVINGS THAT COULD BE ACHIEVED BY APPLYING CERTAIN RESTRICTIONS

## WORTHING BOROUGH COUNCIL AREA

	Worthing Borough Council £	West Sussex County Council £	Sussex Police and Crime Commissioner £	Parish Councils £	Total £
Restricting the liability to Council Tax Band C	11,581	62,299	7,421	Not applicable	81,300
Restricting the liability to Council Tax Band D	5,071	27,280	3,249	Not applicable	35,600
Restricting the liability to Council Tax Band E	1,140	6,130	730	Not applicable	8,000
Restricting the liability by 10%	61,735	332,106	39,559	Not applicable	433,400
Restricting the liability by 20%	122,102	656,855	78,242	Not applicable	857,200
Reducing the capital limit to £10,000	3,433	18,467	2,200	Not applicable	24,100
Reducing the capital limit to £6,000	9,330	50,191	5,979	Not applicable	65,500
Taking Child Benefit into account as income in full	35,824	192,719	22,956	Not applicable	251,500
Taking child maintenance into account as income in full	5,897	31,724	3,779	Not applicable	41,400
Removing Second Adult Rebate	1,638	8,812	1,050	Not applicable	11,500

**YOUR CHANCE TO BE THE CHANCELLOR –  
BUDGET CONSULTATION 2013 – CHANGES TO THE BENEFIT SYSTEM**

Before you start the survey please be aware that you are required to give an answer for all the multiple choice questions.

In order for us to be able to analyse the results in the best way possible, please could you tell us the following:

**ABOUT YOU:**

**1. Do you live in:**

Adur District Council	738
Worthing Borough Council	1,307

**2. Do you currently claim Council Tax Benefit?**

	Adur		Worthing	
Yes	79	(10.7%)	126	(9.6%)
No	659	(89.3%)	1,181	(90.4%)

We have come up with five ideas of how we could make changes to our current scheme. Please could you answer all the questions:

**IDEA 1**

**3. All working age claimants should pay something?**

	Adur		Worthing	
Strongly Agree	330	(44.7%)	615	(47.1%)
Agree	298	(40.4%)	490	(37.5%)
Disagree	64	(8.7%)	128	(9.8%)
Strongly Disagree	46	(6.2%)	74	(5.7%)

**4. Some claimants currently have no Council Tax to pay because they receive the maximum level of Council Tax support. After Council Tax support has been awarded to these working age claimants, should they be asked to pay?**

	Adur		Worthing	
Nothing	111	(15.0%)	184	(14.1%)
At least £2.50 per week	196	(26.6%)	391	(29.9%)
At least £5.00 per week	257	(34.8%)	449	(34.4%)
More than £5.00 per week	174	(23.6%)	284	(21.7%)

**YOUR CHANCE TO BE THE CHANCELLOR –  
BUDGET CONSULTATION 2013 – CHANGES TO THE BENEFIT SYSTEM**

**IDEA 2**

5. **Working age claimants living in larger properties should pay proportionately more than claimants living in smaller properties?**

	Adur		Worthing	
Strongly Agree		(35.9%)	486	(37.2%)
Agree	295	(40.0%)	538	(41.2%)
Disagree	115	(15.6%)	189	(14.5%)
Strongly Disagree	63	(8.5%)	94	(7.2%)

6. **Do you think the maximum support a claimant is entitled to should be higher or lower than the average Council Tax Band C (equivalent to £1,404.32 in Adur and £1,347.92 per year in Worthing)?**

	Adur		Worthing	
More than Band C		(9.1%)	86	(6.6%)
Same as Band C	302	(40.9%)	645	(49.3%)
Less than Band C	369	(50%)	576	(44.1%)

**IDEA 3**

7. **Some people can afford to pay their Council Tax, but they pay a lower amount because a family member or friend (who is on a low income) lives with them. Do you think these awards should stop for working age claimants?**

	Adur		Worthing	
Strongly Agree	346	(46.9%)	640	(49.0%)
Agree	287	(38.9%)	476	(36.4%)
Disagree	65	(8.8%)	124	(9.5%)
Strongly Disagree	40	(5.4%)	67	(5.1%)

**IDEA 4**

8. **Working age claimants with savings should pay more than those with little or no savings? (The current savings cap set by the government is £16,000).**

	Adur		Worthing	
Strongly Agree	136	(18.4%)	270	(20.7%)
Agree	224	(30.4%)	387	(29.6%)
Disagree	238	(32.2%)	371	(28.4%)
Strongly Disagree	140	(19.0%)	279	(21.3%)

**YOUR CHANCE TO BE THE CHANCELLOR –  
BUDGET CONSULTATION 2013 – CHANGES TO THE BENEFIT SYSTEM**

**IDEA 4**

9. **What is the level of savings people can have and still be able to claim benefit?**

	Adur		Worthing	
None	126	(17.1%)	249	(19.1%)
£6,000	211	(28.6%)	333	(25.5%)
£10,000	184	(24.9%)	335	(25.6%)
More than £10,000	217	(29.4%)	390	(29.8%)

10. **If these ideas go ahead, what level of impact do you think this would have on your household?**

	Adur		Worthing	
High Impact	20	(2.7%)	52	(4.0%)
Medium Impact	81	(11.0%)	120	(9.2%)
Low Impact	145	(19.6%)	260	(19.9%)
No Impact	377	(51.1%)	688	(52.6%)
I don't know	115	(15.6%)	187	(14.3%)

**IDEA 5**

11. **Before someone of working age is allowed to claim for Council Tax support do you think they should have lived in the area for a certain length of time?**

	Adur		Worthing	
0 Years	145	(19.6%)	233	(17.8%)
2 Years	325	(44.0%)	614	(47.0%)
5 Years	268	(36.3%)	460	(36.3%)