

Cabinet

**6 March 2012**

Report of the Cabinet Member for Corporate Services

## **Council Tax Support Briefing Paper**

### **Summary**

1. The purpose of this briefing paper is to provide Cabinet with the key information, issues and concerns with regard to the Governments proposal to replace Council Tax Benefit with Council Tax Support. This brief is based on the document Localising Support for Council Tax in England issued by the Department for Communities and Local Government on 11 August 2011 and the Governments response to the outcome of consultation issued in December 2011.

### **Background**

2. The Government released a formal consultation document in August 2011 on their plans for abolishing Council Tax Benefit and replacing it with a new local system of Council Tax Support. The paper confirms the announcement in the spending review that help with Council Tax will not become part of Universal Credit – the new benefit that amalgamates tax credits, out-of-work benefits and Housing Benefit – but will instead remain a local authority responsibility. It also confirms the need for local authorities to save 10% of current expenditure but, importantly, makes clear that pensioners will be excluded from the effect of these cuts. The consultation period ended on 14 October 2011 and the Government's response to the consultation published on 19 December 2011 makes no changes to the scheme. The technical details including funding are not due until the Spring of 2012.

3. The Government's key aims are to:
  - give local authorities including York a greater stake in the economic future of their local area which supports the Government's wider agenda to encourage stronger, balanced economic growth across the country;
  - provide local authorities with the opportunity to reform the system of support for working age claimants;
  - reinforce local control over council tax (Local decisions about what support is given i.e. councils will be free to establish whatever rules they choose for working age customers);
  - implement new schemes by April 2013
  - provide local authorities with a financial stake in the provision of support for council tax (The fixed grant will not be ring-fenced).
  
4. Council Tax Benefit (CTB) provides means-tested help to people on a low income who have to pay Council Tax. For working age people there is a limit on savings of £16,000. Customers who claim means-tested out-of-work benefits (Income Support, Jobseeker's Allowance and Employment and Support Allowance) will generally receive full assistance, so that they do not pay Council Tax at all. Customers who are in work or have other income can still receive CTB but are likely to receive less than the full amount, so that their Council Tax bill will be reduced but not eliminated.
  
5. A more generous system applies to pensioners. If they claim Pension Credit (guarantee element) there is no limit on the amount of savings they can have and they will normally not pay Council Tax at all. Pensioners with higher incomes can also qualify, even if they do not get Pension Credit, and depending on their circumstances can qualify with an income of £400 a week or more. Around 60% of pensioners are entitled to CTB, though many fail to claim.

#### **Key facts\***

- Current national expenditure on CTB is around £4.8 billion
- Nationally over 5.8 million people claim CTB, more than any other means-tested benefit

- Nationally almost half of CTB claimants (2.7 million) are pensioners
- Nationally a quarter of CTB claimants (1.6 million) have dependent children
- Nationally a tenth of CTB claimants (0.7 million) are low earners
- On average CTB is worth £820 a year (£15.80 per week)
- Many people do not claim the CTB they are entitled to: around 2.5 million people are missing out on benefits worth £2 billion a year

\*From 'entitled to' consultation document

### Impact of the proposed changes

6. When the new system of local support for Council Tax is introduced in April 2013 the amount of subsidy provided to local authorities including York will be reduced by 10% relative to current expenditure on CTB, saving around £480 million a year nationally and just over £1m in York. As pensioners who are already customers will not be affected by the cut (they are protected under the new scheme from losing any benefit) as are any new pensioners applying for support the percentage of the benefit loss to working age customers will be much higher.
7. At a national level the loss to working age customers is estimated to be approximately 19%. This is set out in a little more detail at Table 1 below:

**Table 1**

#### National summary statistics for Council Tax Benefit\*

	Number of recipients	Average weekly award	Expenditure (£, million)	% reduction needed to make £480m savings
Over pension age	2,677,690	£16.01	£2,210	Protected
Working age: full CTB	2,182,030	£16.55	£1,880	26%

Working age: some CTB low earner	682,900	£13.66	£490	99%
Working age: some CTB not in work	285,810	£14.34	£210	225%
All working age	3,150,740	£15.72	£2,580	<b>19%</b>
<b>Total</b>	<b>5,828,430</b>	<b>£15.83</b>	<b>£4,800</b>	

\*From 'entitleto' consultation document

8. As well as protecting pensioners entitlement to their current level of Council Tax Benefit the Government propose two additional principles to underpin local schemes:
  - Local authorities should also consider ensuring support for other vulnerable groups;
  - Local schemes should support work incentives, and in particular avoid disincentives to move into work.
  
9. It is the Government's intention to prescribe the criteria, allowances and awards for council tax support to pensioners. This means there will be no flexibility for councils in respect of this element of the scheme. Both this and the Governments wish to incentivise customers into work and protection of the vulnerable is emphasised in the Government's response to the outcome of consultation published in December 2011.
  
10. There will need to be some fundamental decisions taken by the council as to which customers will lose benefit in any scheme that York develops. Public consultation is not timetabled to take place until the Autumn of 2012 with schemes being developed during Summer 2012 there is no escaping the fact that York's council tax benefit customers other than pensioners will lose more than 10% of their current benefits. The following paragraphs look at this in more detail.

## Local Impacts

11. To illustrate the financial impact on Council Tax Benefit customers in York all the recipients have been placed into five categories as set out at Table 2 below:

**Table 2**

Cat	Description	No of Claims	Annual Cost (£)
A	Pensioner Income Support	3919	3,466,889
B	Pensioner non-income support	2516	1,711,789
C	Working age Income Support	3469	3,347,725
D	Working age non-income support (vulnerable status)	227	155,423
E	Working Age non-income support (all remaining customers)	2436	1,621,887
<b>Total</b>		12865	10,303,713

12. The Government in their consultation document have made it clear that we cannot remove benefits from pensioners. This leaves those customers in category C – E to share the 10% (£1,030,371) saving. Applying this on an even basis across category C - E would see a reduction of approximately 20.1% in customer's benefit.
13. It is likely that customers who are already viewed as vulnerable would need to be protected (Category D and Para 8). This is not a large number of our customers or high value of benefits paid but would increase the saving required across category C & E to approximately 20.7%. The Government in their response to consultation document highlight the fact that they wish to work closely with local authorities to ensure that they understand their existing responsibilities in relation to vulnerable groups especially in relation to the Child Poverty Act 2010, Disabled Persons Act 1986 and Housing Act 1996. This work may see the number of

customers categorised as vulnerable increase resulting in the cut for other customers rising above 20.7%.

14. This would leave a very difficult choice with regards to taking away benefit from customers who are already receiving Income Support so are amongst the most financially vulnerable and those on non income support many of who will be working and on low income. The consultation document makes it clear that the council should not de-incentivise those working and on low income or encourage those on full income support not to enter work. This is further referred to in the more recent response to the consultation which sets out the clear principles of the Governments welfare reform agenda:
  - People should get more overall income in work than out of work;
  - People should get more overall income from working more and earning more;
  - People should be confident that support will be provided whether they are in work or out of work, and it will be timely and correct.
15. Table 3 below provides details of the number of council tax benefit customers in each council tax band and the financial affect of a 20.7% reduction in council tax benefit. This is split between those customers who receive some Income Support and those who receive no income support but qualify through low income. The average loss will vary between £167 & £283 per annum for recipients of income support and between £108 & £227 per annum for customers on low income. The highest individual loss will be £409 per annum and the lowest £1.20 per annum depending on the customer's circumstances.

**Table 3**

## Annual Benefit Loss by Council Tax Band

Band	Working Age Income Support Benefit		Working Age Low Income Benefit	
	Reduction	No	Reduction	No
A	-167.13	1509	-128.21	684
B	-190.08	1422	-135.82	1088
C	-207.77	384	-144.44	497
D	-218.75	90	-151.21	113
E	-248.86	39	-208.29	42
F	-283.49	16	-215.73	8
G	-193.87	9	-227.91	4
Grand Total		3469		2436

16. There are further potential implications in respect of customers in category C & E other than just the financial loss. There are potentially vulnerable families amongst these categories who whilst not currently officially categorised as vulnerable may have young children or medical conditions and may meet the wider criteria outlined by the government and set out at paragraph 13.
17. Many of the customers who receive council tax benefit may also be affected by the changes to housing benefit announced by the government earlier in the year. The number of customers claiming both council tax and housing benefit in York is a little over 9,000. Annex A shows both the financial affect on council customers receiving benefit of these changes and the cumulative loss of benefit and income into the York economy. The geographical spread of the changes in council tax benefit is modelled at Annex B with anonymous customer case studies set out at Annex C.
18. Table 2 above shows the position as at September 2011 and takes no account of York's ageing population. It is probably safe to assume that the number of pensioners in receipt of CTB is likely to increase in the coming years passing on greater cuts to those under pension age. It also takes no account of the number of pension age customers who do not claim but may have entitlement if they did so.

19. As the Government has not yet announced how the funding baseline will be measured it is difficult to take any decisions that may put us in a better position financial position. Other concerns include a very challenging implementation timetable to develop new local schemes and the supporting software coupled with the diseconomies of scale in moving from a nationally prescribed system to a localised one, in particular with regards to the IT development.
20. Work is ongoing regionally with other local authorities to look at the best solutions available both at a local and regional level to ensure consistency in the type of scheme developed and benefits that customers will receive.

### **Options**

21. This is a briefing paper only at this time.

### **Council Plan 2011 - 2015**

22. The implication of the changes contained within the Governments consultation and response to consultation documents will impact on several of the council's priorities that create the council plan 2011-2015. This specifically includes:
  - a) Protecting vulnerable people
  - b) Building strong communities
  - c) Creating jobs and growing the economy

### **Implications**

- (a)**Financial** – The risk to the council of not collecting the Council Tax that vulnerable customers will now be required to pay is a little in excess of £1m. The cost of fully supporting customers at existing levels will be in the region of £1m pa with effect from 1 April 2013.
- (b)**Human Resources (HR)** - There are no implications
- (c)**Equalities** – The decisions made by the council as to who will lose benefit will give rise to potential equality issues
- (d)**Legal** - There are no implications



(e) **Crime and Disorder** - There are no implications

(f) **Information Technology (IT)** - There are no implications

(g) **Property** - There are no implications

## **Risk Management**

23. At this early point in the consultation process it is difficult to categorise how high the risk to the council may be. The implementation of any local scheme will carry with it potential damage to the council's reputation. The main risk will be a financial one where failure to collect income from financially vulnerable customers could give rise to a little in excess of £1m in annual income been lost.

## **Recommendations**

24. Cabinet are asked to:

- a. consider the paper and the implication of the Governments proposal to reduce council tax benefit and localise its administration;

### Reason

*To make Members aware of the financial impact on customers of the Governments changes to the Council Tax Benefit scheme*

- b. receive a further paper once the technical details have been provided by the Government (Spring 2012) setting out more detailed proposals and options for delivering a scheme in York.

### Reason

*To keep Members informed of the more detailed technical changes to be outlined in the Governments technical paper due in the Spring of 2012 and the ongoing work to develop local schemes.*

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**Report  
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**Wards Affected** Not applicable

**All**

**For further information please contact the author of the report**

### Background Papers

Localising Support for Council Tax in England –D CLG

The impact of the Government's proposals for replacing Council Tax Benefit – entitled to

Localising Support for Council Tax in England: Government's response to the outcome of consultation – DCLG

## **Annexes**

Annex A – Graphs showing the financial impact on York customers

Annex B – Geographical maps of customers affected by the changes in  
Council Tax Benefit

Annex C – Individual anonymous case studies