

Committee: Overview and Scrutiny Commission – Financial Task Group

Date: 19 March 2013

Agenda item: 4

Wards:

Subject: Changes to Council Tax Benefit (Localisation)

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Councillor Mark Allison

Forward Plan reference number: 1160

Contact officer: David Keppler – Head of Revenues and Benefits

Tel. 020 8545 3727

Email: david.keppler@merton.gov.uk

Recommendations:

That members of Overview and Scrutiny Commission:

- A. Notes that further discussion of the proposed scheme took place at the financial monitoring scrutiny task group on the 11 September 2012.
- B. Notes the update provided as appendix A on other local schemes and how the default scheme that will be implemented compares to those neighbouring Councils.
- C. Notes that training was provided to Councillors in September 2012 on the existing scheme and the presentation is attached as appendix B.
- D. Identify how they would like to be involved in the review of local schemes undertaken for the full year 2013/14.
- E. Notes and agrees the administration changes made to Merton's local council tax support scheme detailed below (2.14-2.17)

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. On the 17 July 2012 a report on the Changes to Council Tax Benefit (Localisation) was presented to Overview and Scrutiny Commission. The Commission Resolved that:

- (1) That the Commission, having discussed the report thoroughly, would not express a view on the preferred option at this stage
- (2) To delegate further discussion of the scheme to the meeting of the financial monitoring task group on 11 September 2012
- (3) That more detail on all the options should be provided to that task group meeting so that it can comment fully on the proposals

- (4) That the Commission receive an update report at its meeting on 12 March on how the current scheme works, what other councils are doing and full costing's for each of the options for future years
- (5) That training sessions on the current scheme are offered to all councillors in September 2012
- (6) That the Commission is involved in the review of local schemes undertaken for the full year 2013/14
- (7) That the Commission is involved in the review of the administration arrangements for the prescribed default scheme for 2013/14 to try to make the claim process easier for residents

1.2. This report updates and details the information the Commission requested.

2 DETAILS

- 2.1. As part of the Spending Review 2010, the Government announced that it intends to localise council tax benefit (CTB) from 1 April 2013 with a 10% reduction in expenditure. These plans were included as part of the terms of reference for the Local Government Resource Review and as it currently stands, the Welfare Reform Bill contains provisions to abolish CTB
- 2.2. Council's were required to agree local schemes by the 31 January 2013.
- 2.3. On the 21 November 2012 full Council approved that the Council would absorb the funding reduction for council tax support and adopt the existing default scheme as its local council tax support scheme. It also agreed that a review of local schemes would be undertaken for the full year of 2013/14 and that changes arising from the review will be developed for consideration for the 2015/16 budget process.
- 2.4. In London the majority of Council's have adopted local council tax support schemes which pass on the full or part funding reduction and results in a reduction of assistance for existing claimants of council tax benefit.
- 2.5. As requested by Overview and Scrutiny listed below is a summary of the changes neighbouring Council's have made to their new schemes. Attached as appendix A is this information in a tabled format along with the impact on taxbases for 2013/14.
- 2.6. Sutton Council
 - Restrict support at band D
 - Reduce savings limit from £16,000 to £10,000
 - Remove second adult rebate
 - Increase non-dependant deductions (over 18 year olds living in the property)
 - Everyone shall pay something
 - Increased taper from 20% to 25% (support reduces by this percentage for every addition pound of income)
 - Will include 25% of child benefit (currently disregarded)

- Most vulnerable are protected (pensioners, claimants receiving disability benefits/premiums and claimants with a child under five)

Sutton have estimated that around 4,800 households will be affected by the changes with:

31 residents affected by an average of £23 a week
 190 residents affected by an average of £14 a week
 378 residents affected by an average of £8 a week
 497 residents affected by an average of £5 a week
 2894 affected by an average of £3.50 a week
 800 affected by an average of £1 a week.

Sutton are on target to achieve council tax collection of 98.6%, this has been reduced to 97.61% for 2013/14 so have estimated a reduction of 0.54%

2.7. Croydon Council

- Restrict support to band D
- Reduce savings limit from £16,000 to £8,000
- Remove second adult rebate
- Increase non-dependant deductions
- Everyone shall pay something
- Most vulnerable protected (pensioners, in receipt of disability living allowance, income support or employment support allowance or single parents with a child or children under five)

Croydon will ask all working age people not working to pay at least 15% of their council tax liability, this will equate to approximately £3.50 per week.

They will ask all working age people that are working to pay at least 15% more of their council tax liability (on average this is £5.00 per week)

They will ask other adults living in the property who are not the main taxpayer or partner to contribute more to meeting the council tax, many who do not currently contribute anything will be asked to contribute £3.50 per week.

It has not been possible to obtain the estimated number of claimants falling into each criteria although from the report that went to Cabinet in July 2012 they reported almost 6,000 claimants that were working.

2.8. Kingston Council

- Remove second adult rebate
- Increase non-dependant deductions
- Most vulnerable protected (claimants in receipt of disability benefits/premiums)

2.9. Richmond Council

- Remove second adult rebate
- Increase non-dependant deductions
- Earnings disregard increased (increase in amount of earnings that are not taken into account for calculation)
- Most vulnerable protected (as within council tax benefit scheme)

Richmond have estimated that 422 claimants will lose an average of £5.88 per week in support.

2.10. Sutton and Croydon have substantially changed their local schemes from the default scheme with the result of thousands of benefit claimants having to contribute more to their council tax. They will now be asking residents who have not previously had to pay any council tax to make a contribution.

2.11. The impact of non collection is not accurately known at this stage. Sutton has estimated a reduction of 0.54% - based on their council tax requirement of £74.7 million (taken from their budget report) this equates to just over £403,000 non-collection. It has not been possible to obtain estimated non-collection rates from the other boroughs.

2.12. Although there are recovery options available to pursue unpaid council tax a Liability Order has to be obtained at the Magistrates Court before any alternative recovery action can take place. To obtain a Liability Order the Council has to issue a summons for non-payment of council tax with the additional costs associated (Merton's are £110.00, neighbouring boroughs summons costs are similar or more).

2.13. Once the Liability Order has been obtained the Council could apply to the Department of Work and Pensions for an attachment of benefit for taxpayers who are receiving an out of work benefit. The DWP could stop £3.55 per week from a claimants benefit and pay directly to the Council, however, the cost of the summons will also need to be paid.

2.14. Another option could be to pass the debt to a bailiff to collect but again this would include additional costs of collection for the taxpayer.

2.15. As previously reported to Overview and Scrutiny the local scheme adopted by Merton is the same as the current national council tax benefit scheme. Training on council tax benefit and how the scheme works was provided to Councillors in September, appendix B is the training presentation.

2.16. In the financial settlement Merton have been allocated £9.732 million (this excludes the GLA share) funding for the council tax support scheme for 2013/14, this is reduction of £1.278 million. In the financial settlement for 2014/15 there is a reduction in grant of 9.5% which means a further reduction of funding for council tax support scheme in 2014/15.

2.17. At this stage it is not possible to identify if the level of funding available for the scheme for 2013/14 will be sufficient, fluctuations in current caseload will influence this.

- 2.18. Overview and Scrutiny requested full costing options for future years. Currently it is not possible to provide any further accurate data than that provided last year during the consultation process and this has been included as appendix C. Please note this information is based on 2011/12 claim data.
- 2.19. The review of local schemes agreed by full Council for the full year 2013/14 will include options and costing's based on 2013/14 Merton data, an analysis of neighbouring boroughs scheme and in particular the impact the new local schemes have had on council tax collection.
- 2.20. As Merton's local scheme has already been agreed and published for 2013/14 it is not possible to make any amendments to the scheme until April 2014. When reviewing the default scheme rules and the administration differences between council tax benefit and council tax support officers identified a small number of areas where changes to processes would benefit customers. As a result the following changes have been made to the local council tax support scheme rules:
- 2.21. If a housing benefit claim is made directly to the Department of Work and Pensions under existing rules it can be a joint claim for council tax benefit. Under council tax support there is no provision for this and therefore the customer would be expected to complete a second application form for the council – the rules for Merton's scheme have been amended so that the customer will only have to sign a declaration confirming the application is also for council tax support. This will make the claim process easier for our customers
- 2.22. Under the rules for council tax support if a customer notifies the council of a change in circumstances a beneficial change can be backdated to the date of that change – under the existing housing benefit and council tax benefit rules a beneficial change can only be backdated one month – the rules for Merton's scheme have been amended so that the change can only be backdated one month.
- 2.23. Under the rules for council tax support there is no facility to suspend council tax support claim. To enable housing benefit and council tax support claims to be effectively administered side by side the rules for Merton's scheme have been amended to enable council tax support claims to be suspended.
- 2.24. Under the rules for council tax support there is only a £10.00 disregard for war widow's pensions and war disability pensions. Merton have for many years, like many authorities, adopted a modified local scheme where we disregard all of this income. To ensure that Merton's local council tax support scheme adheres to the principal agreed by full Council that no one would be worse off unless their income or circumstances changed – the rules for Merton's local scheme have been amended so that the full disregard is taken.

3 ALTERNATIVE OPTIONS

- 3.1. None for the purpose of this report

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. A full consultation exercise has been undertaken on the proposed council tax support scheme and was included in the report to full Council on the 21 November 2012.

5 TIMETABLE

- 5.1. The new local Council Tax Support scheme was agreed by full Council on the 21 November 2012.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. See attached report to Cabinet

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. Attached to original full Council report

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. Attached to original full Council report

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. Attached to original full Council report

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. Attached to original full Council report

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 11.1. Appendix A – Changes to neighbouring boroughs local schemes and impact on Taxbase
- 11.2. Appendix B - Council Tax benefit Training presentation
- 11.3. Appendix C - Options of changes to scheme with the financial impact on scheme and claimants

Changes to Council Tax Benefit Schemes

Appendix A

Name of Borough	Type of change										
	Limit support to Band D	Savings limit reduced from £10,000	Savings limit reduced from £16,000 to £8,000	Second adult rebate abolished	Increase in non-dependent deductions	Everyone shall pay something	Incentive for working	Most vulnerable protected from change	Earnings disregard increase	Increase taper from 20% to 25%	Include 25% of Child Benefit as income
Sutton	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y
Croydon	Y	N	Y	N	Y	Y	Y	Y	N	N	N
Richmond	N	N	N	Y	Y	N	Y	Y	Y	N	N
Kingston	N	N	N	Y	Y	N	N	Y	N	N	N

	Ctaxbase		Ctaxbase	Percentage Change
	2012/13	2013/14		
Croydon	129,418	107,618	107,618	-16.84%
Kingston-upon-Thames	63,168	57,775	57,775	-8.54%
Merton	74,816	66,981	66,981	-10.47%
Richmond-upon-Thames	89,992	83,504	83,504	-7.21%
Sutton	74,141	65,526	65,526	-11.62%

Council Tax

Council Tax Benefit – An Overview

David Keppler
Merton Council

What is council tax benefit (CTB)?

- Help with paying council tax for people on “low income”
- Definition of “low income” based on personal and family circumstances
- Council tax benefit (CTB) “paid” as rebate
 - taxpayers get reduced bill
- But not everyone who would be entitled to CTB claims it

Council tax benefit – who can claim?

- Anyone with a council tax liability
 - eg squatters can claim if they are liable
- But
 - must be resident – no CTB for second homes
 - some groups are specifically excluded, eg most students and asylum seekers
- You can only get CTB if you claim it!

How do you claim CTB?

- Can claim
 - directly to council
 - through Job Centre Plus or Pension Service whilst making claim for other benefits
- Claims normally made in writing, but
 - can claim electronically via our online claims
 - for some types of claimant, can claim over the telephone eg pensioners and passported working age

When does an award start

- From the Monday after person made first contact to make a claim
 - provided they submit form within one month
 - unless start date is dependent on the start of IS, JSA(IB) or ESA(IR)
- Since 1 October 2008, working age claimants can be backdated for max of six months if claimant has “continuous good cause”
- Pensioners can get backdated CTB but up to three months

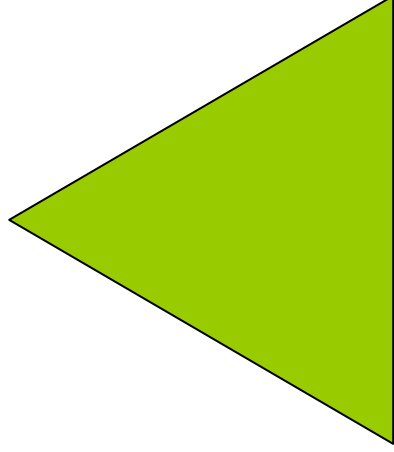
How long does a claim last?

- Since April 2004 all claims open ended
- ... unless a break in entitlement
- Before April 2004, claims had to be renewed at least every 60 weeks
- Renewal CTB claims were abolished

Making an assessment

Assessment is based upon three things

Liability/
Eligibility



Income and capital
(their means)

Household size/level
of need (applicable
amount)

Liability/eligibility

- The person liable for council tax?
- Is there joint and several liability?
 - if so, responsibility will be shared for benefit purposes eg joint tenants and joint owners 50%, 33%
 - however couples assessed as one claim
- Discounts deducted first to arrive at net council tax
- Restrictions for bands F, G & H between April 1998 and March 2004

Applicable amount

- Figure used in calculating benefit to reflect “basic living needs” of claimant and their family
- Consists of
 - personal allowance (dependent on age)
 - family premiums
 - special premiums for disability
- Actual outgoings of family not taken into account

Single person +25 years £71.00
 Couple working age £111.45

Family (2 children)
 Couple £111.45
 2 Kids £17.40 family premium
 Child premium £64.99 x 2
 £258.83

Income and capital

- **Income**
 - wages/salary (less income tax, NI and 50% of pension contribution)
 - self employed earnings – less expenses
 - child benefit
 - child tax credit
 - working tax credit
 - JSA contribution based
 - maintenance
 - state retirement pension
 - occupational pension
 - carers allowance

Disregards

Certain income is disregarded

- disability living allowance
- attendance allowance
- child care costs (up to £175.00 per week) if meet criteria of hours worked

Earnings disregards

- single person £5.00 per week
- couple £10.00 per week
- lone parent £25.00 per week

Income and capital

Savings and capital

- under £6000, disregarded
- over £16,000, not entitled
- tariff income of £1 per week for every £250 (working age) and £500 (pensioners) between £6,000 and £16,000

Non-dependent deductions

- Non-dependents (N/D) = adults who normally lives with claimant on a non-commercial basis
 - eg adult child or relative
- Govt assumes N/D will make contribution to household income and reduces benefit accordingly
 - deduction made even if they do not contribute
- Amount of deduction depends on N/D's gross income
 - but in some cases no deduction is made eg claimant registered blind or receives DLAC

Level of CTB non-dependant deductions

In remunerative work

in receipt of pension credit (PC)	Nil
gross income £394 p/w or more	£9.90
gross income £316 - £393.99 p/w	£8.25
gross income £183 - £315.99 p/w	£6.55
gross income less than £183 p/w	£3.30

Not in remunerative work

in receipt of PC/IS/JSA(IB)/ESA(IR)	Nil
all others 18 or over	£3.30

The benefit calculation

- Calculate max eligible benefit
 - council tax liability
 - less any N/D deduction(s)
- If income same or less than applicable amount, get max CTB
- If income above applicable amount, there is a 20% taper
- For every £1 income above applicable amount CTB reduced by 20p (HB reduces by 65p)

Comparing income with needs

- “Passported benefits”
 - income support (IS)
 - income-based job seeker’s allowance (JSA(IB))
 - guarantee pension credit (GC)
 - income related employment and support allowance (ESA(IR))
- Don’t need to do calculation – already done by DWP, JCP or Pension Service
- Passported claimants get max eligible CTB

Non-passported benefits – the calculation

- ‘Maximum’ CTB reduced by 20% of excess income above claimant’s needs

- For example

income	£70
applicable amount	£50
excess income	£20
20% of excess income (taper)	£4

maximum council tax benefit	£10
less taper	-£4
council tax benefit paid	£6

- ## Second adult rebate
- Must be claimed by liable person
 - not 2nd adult
 - Partner cannot be a 2nd adult
 - Gross Council Tax used for liable CTB
 - Amount of rebate depends on 2nd adult's income

- 2 nd adult on IS, JSA(IB), ESA(IR) or GC	25%
- gross income under £177 p/w	15%
- gross income £177 - £230.00 p/w	7.5%
- gross income £231 p/w or more	Nil

The future of CTB

- HB being phased out from October 2013 through to 2017
 - becoming part of Universal Credit
- CTB being abolished from 1 April 2013
- Councils have to develop their own replacement schemes (Council Tax Support)
 - pensioners can't be worse off
 - moving into work must leave people better off
 - children and 'vulnerable' must be protected
- All against a background of estimated 10% cut in expenditure at 11/12 base

Changes to Housing Benefit

- Implement benefit cap
 - £500 per week cap for families and lone parents
 - £350 per week cap for single adults
- Up to 290 families affected
 - of these:
 - 15 families will be over £350 per week worse off
 - 30 families between £200 - £349 per week worse off
 - 64 families between £100 - £199 per week worse off

Changes to Housing Benefit

- Under occupation
 - Households below pensioner age with under occupied rooms in social rental section will have benefit reduced
 - Under occupation of 1 room will see 14% reduction in rent/benefit
 - Under occupation of 2 rooms will see 25% reduction in rent/benefit
- 70,000 affected in London. Average weekly reduction per claimant will be £21
- In Merton, 7,500 claims from Housing Association tenants
- Gathering data now

Any Questions

Appendix C

Change to scheme	Reduction in benefit	Approximate cases affected	Comments and examples of claim types and potential change for the year
Reducing the capital limit to automatic exclusion from £16,000 to £8,000	£33,000	70 cases	10 cases would lose over £1,000 Couple with £15,500 savings to lose £1,590.00 Couple with one child with £12,700 savings to lose £1,253.00
Remove second adult rebate. This is where a customer who is working has another adult occupier in their property and the occupier is on a low income, therefore the customer receives up to a 25% reduction, equal to their single person discount	£28,000	140 cases	39 cases would lose over £300.00 Single claimant in band G property with an elderly relative will lose £597.67 (with 2AR claims we do not always know the income of the claimant)
Increase deductions for all working non-dependants. (Non-dependants are other adult occupiers over 18 years old) Current weekly deductions based on weekly wages are: Up to £183 - £3.30 deducted £183 to £316 - £6.55 deducted £316 to £394 - £8.25 deducted Over £394 - £9.90 deducted Proposed change: Up to £100 - £5.00 deducted	£92,000	340 cases	65 cases would lose over £400.00 Couple on job seekers allowance with two adults over 18 and both working will lose £790.00 – current weekly deduction for two over 18's is £3.30 and £6.55 – would change to £5.00 and £15.00

£100 to £179 - £10.00 deducted					
Over £180 - £15.00 deducted					
Make deductions of £3.50 per week for all non-working non-dependants	£43,000	210 cases	14 cases would lose over £300.00 Couple on job seekers allowance with 3 children and 2 non dependants out of work will lose £364.00		
Increase taper to 22.5p in the pound – (for every pound above your basic needs (applicable amount) the benefit is reduced by the taper level – which is currently 20p for council tax benefit and 65p for housing benefit)	£103,000	1980 cases	185 cases would lose over £100.00 Couple with 2 student non dependants would lose £148.00 – it should be noted that this case would also lose benefit under the option above (make deductions of £3.50 per week for all non-working non-dependants)		
Reduce earned income disregard for lone parents from £25.00 to £15.00 (couples disregard is £10.00)	£60,000	650 cases	478 cases will lose £104.00 Lone parent with one child weekly income is £273.45 would lose £2.00 per week (£104.00 p.a.)		
Restrict benefit to council tax band F level	£7,000	32 cases	6 cases would lose over £300.00 Single claimant on job seekers allowance with 3 children and 1 non dependant on income support in band G property would lose £313.00 – if the option to make a deduction for non-working non-dependants is agreed then an additional £182.00 would also be lost		
Restrict benefit to council tax band E level	£29,000	105 cases	40 cases would lose over £300.00 Single claimant receiving full benefit in band G property would lose £478.00 Couple with four children in receipt of job seekers allowance in a band G property would lose £625.00		
Reduce benefit by 10% for all passported benefit cases – (claimants	£530,000	4940 cases	2775 cases would lose over £100.00		

who receives another benefit that entitles them to maximum council tax benefit, income support, job seekers allowance, employment and support allowance)				Single claimant with 3 children and 1 non dependant living in band G property would lose £235.00 - if the option to make a deduction for non-working non-dependants is agreed then an additional £182.00 would also be lost
Reduce benefit by 10% for all non-passported cases – (claimants not receiving another benefit that entitles them maximum council tax benefit)	£310,000	3548 cases	1220 cases would lose over £100.00 Single claimant of 58 with a weekly income of £99.00 in a band G property would lose £4.60 per week (£240.00 p.a)	
** Reduce benefit by 20% for all passported benefit cases – (claimants who receives another benefit that entitles them to maximum council tax benefit, income support, job seekers allowance, employment and support allowance)	£1,070,000	5177 cases	2700 cases would lose over £200.00 Lone parent with 4 children living in a band E property would lose £6.61 per week (£345.00)	
** Reduce benefit by 20% for all non-passported cases – (claimants not receiving another benefit that entitles them maximum council tax benefit)	£,630,000	3858 cases	1150 cases would lose over £200.00 per week Couple with 3 children with weekly income of £255.00 would lose £5.28 per week (£275.00)	

** Extracted on newer data and therefore numbers do not tie up exactly with reducing benefits by 10% options