

## Financial Monitoring Scrutiny Task Group, 11 September 2012

### Changes to Council Tax Benefit (Localisation)

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Lead member: Councillor Mark Allison, Cabinet Member for Finance

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#### **Recommendations:**

That the financial monitoring scrutiny task group:

- A. Consider the options that have been reviewed that are detailed within this report.
- B. Consider this report in line with the recommendations of the Overview and Scrutiny Commission meeting of the 17 July 2012 and comment on the proposal.

#### **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. To provide the financial monitoring scrutiny task group with information on how the existing council tax benefit scheme works.
- 1.2. To provide the task group with further detail on the options that have been considered for a local council tax support scheme from April 2013.

#### **2 DETAILS**

- 2.1. At the Overview and Scrutiny Commission meeting on 17 July 2012 a report was presented detailing the proposed local Council Tax Support scheme for April 2013 that had been agreed by Cabinet on the 2 July 2012. This report asked members to consider the Cabinet report, consider making a response to the formal consultation exercise, consider their involvement in the review of the local schemes for the full year 2013/14 and consider if they wanted to be involved in reviewing administration arrangements of the new scheme.
- 2.2. The Commission requested more detail on the options for the local scheme and for training on the existing council tax benefit scheme.
- 2.3. This report provides details of the options that were considered for the new local scheme and gives information on the existing council tax benefit scheme.
- 2.4. The existing council tax benefit scheme is a “means tested” national scheme administered by local authorities for the government. The level of council tax benefit depends on the income and savings of the claimant, who else lives with the claimant and the level of council tax payable.
- 2.5. Appendix 1 provides information on the existing council tax benefit scheme in the form of the presentation slides for Councillor Training on the Council Tax Benefit scheme scheduled for 24 September 2012.

- 2.6. As part of the review work undertaken in establishing options for a new local scheme modeling for potential changes was undertaken which included identifying how much a change would reduce the overall yearly benefit award to assess against the 10% cut in funding, how many claimants would be affected and how much of a reduction in benefit would be made for different families/claimants.
- 2.7. A variety of possible changes were modelled including:
- Reducing the capital limit
  - Increasing the deduction for adults living in the property
  - Restricting benefit to band E or F
  - Reducing benefit across the board by 10% and 20%
- 2.8. The table below shows the potential changes that were modeled and the reduction in benefit for the change.

| <b>Change to scheme</b>  | <b>Resulting reduction in benefit</b> |
|--|---------------------------------------|
| Reducing the capital limit to automatic exclusion from £16,000 to £8,000   | £33,000                               |
| 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                               |
| Increase deductions for all working non-dependants. (Non-dependants are other adult occupiers over 18 years old).  | £92,000                               |
| Make deductions of £3.50 per week for all non-working non-dependants   | £43,000                               |
| 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                              |
| Reduce earned income disregard for lone parents from £25.00 to £15.00 (couples disregard is £10.00)  | £60,000                               |
| Restrict benefit to council tax band F level   | £7,000                                |
| Restrict benefit to council tax band E level   | £29,000                               |
| Reduce benefit by 10% for all passported benefit cases – (claimants who receives another benefit that entitles them to maximum   | £530,000                              |

|  |            |
|--|------------|
| council tax benefit, income support, job seekers allowance, employment and support allowance)  |            |
| Reduce benefit by 10% for all non-passported cases – (claimants not receiving another benefit that entitles them maximum council tax benefit)  | £310,000   |
| 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 |
| Reduce benefit by 20% for all non-passported cases – (claimants not receiving another benefit that entitles them maximum council tax benefit)  | £630,000   |

- 2.9. Appendix 2 shows the above table in more detail – it also shows the potential reduction, the approximate cases affected and examples of claim types and potential reductions in benefit for those claim types.
- 2.10. Many Councils have now commenced their consultation exercises and a variety of approaches have been taken by our neighbours including some of the options we looked at.
- 2.11. During the discussion at Overview and Scrutiny Commission on the proposed council tax support scheme some members commented that Cabinet considers the new powers to tax second homes and vacant properties and welcomed further details on these.
- 2.12. On the 2 July 2012 a report was presented to Cabinet on the technical reforms to council tax and outlined the changes Councils can make to discounts and exemptions for empty properties and detailed the proposal for empty homes premium.
- 2.13. Cabinet agreed to progress with the following recommendations:  
 To withdraw the existing discounts and exemptions for empty homes from April 2013 in order to minimise Council Tax charges for Merton residents and to encourage property owners to bring homes into use more quickly  
 To review the impact of these changes along with a review of the empty homes premium to establish if a premium should be charged will be undertaken for the full year of 2013/14 and then reported back to Cabinet for consideration for the 2015/16 budget process
- 2.14. It is estimated that the withdrawal of the existing discounts and exemptions for empty homes will increase the collectable council tax by £1.5 million per year.

### **3 ALTERNATIVE OPTIONS**

- 3.1. None for the purpose of this report.

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. A full consultation exercise is required following the decision to adopt the prescribed default scheme. This commenced on 9 July 2012 and will conclude on 28 September 2012.

### **5 TIMETABLE**

- 5.1. The new local Council Tax Support scheme must be agreed by 31 January 2013. To achieve this deadline the scheme must be agreed by Full Council on the 21 November 2012.
- 5.2. Prior to the Full Council meeting a report will be presented to Cabinet on 12 November 2012 incorporating any proposed changes to the scheme following the completion of the consultation exercise.

### **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. None for the purpose of this report

### **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. None for the purpose of this report

### **8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 8.1. None for the purpose of this report

### **9 CRIME AND DISORDER IMPLICATIONS**

- 9.1. None for the purpose of this report

### **10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 10.1. None for the purpose of this report

### **11 APPENDICES**

- 11.1. Appendix 1 – Presentation Slides for Councillor Training on Council Tax Benefit Scheme
- 11.2. Appendix 2 - Detailed information on options for the new local council tax support scheme that were modelled
- 11.3. Appendix 3 – Breakdown of Council Tax Benefit data as at November 2011

# Council Tax

## 7 Council Tax Benefit – An Overview

David Keppler  
Head of Revenues and Benefits

# Objectives

At the end of this course, you will be able to

- Define council tax benefit
- Describe who can claim council tax benefit
- Explain how benefit is calculated

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## 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
- 1 → Claims normally made in writing, but
  - can claim electronically via our online form
  - for some types of claimant, can claim over the telephone e.g. 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)
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- 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?

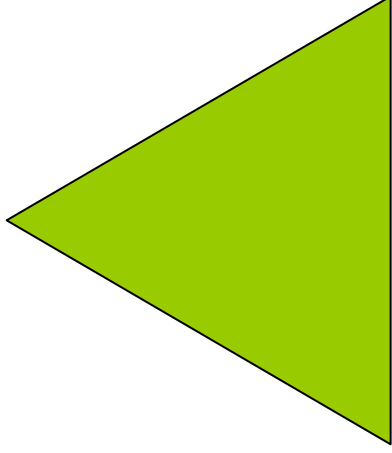
- Since April 2004 all claims open ended
- ... unless a break in entitlement
- Before April 2004, claims had to be renewed at least every 60 weeks
- Renewal CTB claims were abolished

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# 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

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# 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

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# Income and capital

- **Income**
  - benefits
  - earnings
  - tax credits
- **But some income disregarded eg Disability Living Allowance**
- 17 • **Savings and capital**
  - under £6000, ignored
  - over £16,000, not entitled
  - tariff income of £1 per week for every £250 (working age) £500 (pensioners) between £6,000 and £16,000
- **Some capital is disregarded**

## Non-dependent deductions

- Non-dependents (N/D) = adults who normally live with claimant on a non-commercial basis
  - e.g. 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 |

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## 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 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)

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# 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

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# 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 2<sup>nd</sup> adult
  - Partner cannot be a 2<sup>nd</sup> adult
  - Gross Council Tax used for liable CTB
  - 23 • Amount of rebate depends on 2<sup>nd</sup> adult's income
 

|   |      |
|---|------|
| - 2 <sup>nd</sup> 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  |

# Common misconceptions

- “I’m on income support so I’m exempt”
- “I don’t have to pay whilst I’m waiting to hear about my claim”
- “You can’t pursue me for the debt as my part is covered by benefit”

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# Common problems

- Whenever CTB adjusted, new bill with new instalments produced
- Where summons involved, need to check if CTB adjustment is part of “summonsed” or “unsummonsed” debt
- CTB queries once recovery action commences

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## 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



Appendix 2

| 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<br>Couple with £15,500 savings to lose £1,590.00<br>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<br>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)<br>Current weekly deductions based on weekly wages are:<br>Up to £183 - £3.30 deducted<br>£183 to £316 - £6.55 deducted<br>£316 to £394 - £8.25 deducted<br>Over £394 - £9.90 deducted<br>Proposed change:<br>Up to £100 - £5.00 deducted | £92,000              | 340 cases                  | 65 cases would lose over £400.00<br>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<br>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<br>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<br>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<br>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<br>Single claimant receiving full benefit in band G property would lose £478.00<br>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<br>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<br><br>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<br><br>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

Appendix 3 -

**Council Tax Benefit Data as at November 2011**

| <b>TYPE OF CUSTOMER</b>                  | <b>#</b>     | <b>Annual CTB £</b>   | <b>%age</b>   |
|--|--------------|-----------------------|---------------|
| Pensioners                               | 5396         | £5,530,449.95         | 38.6%         |
| Passported Working Age                   | 5065         | £5,507,348.99         | 36.2%         |
| Single Worker - non-disabled             | 215          | £126,948.22           | 1.5%          |
| Single Worker - disabled                 | 18           | £11,773.98            | 0.1%          |
| Single Worker - non-disabled family      | 949          | £646,364.31           | 6.8%          |
| Single Worker - disabled family          | 20           | £16,701.31            | 0.1%          |
| Working Couple - non-disabled            | 56           | £37,141.25            | 0.4%          |
| Working Couple - disabled                | 7            | £7,345.26             | 0.1%          |
| Working Couple - non-disabled family     | 1322         | £1,243,052.43         | 9.5%          |
| Working Couple - disabled family         | 64           | £67,114.86            | 0.5%          |
| Single non worker - non-disabled         | 180          | £156,761.23           | 1.3%          |
| Single non worker - disabled             | 227          | £192,493.01           | 1.6%          |
| Single non worker - non-disabled family  | 251          | £212,560.95           | 1.8%          |
| Single non worker - disabled family      | 83           | £94,073.68            | 0.6%          |
| Non working couple - non-disabled        | 6            | £6,327.37             | 0.0%          |
| Non working couple - disabled            | 10           | £11,315.15            | 0.1%          |
| Non working couple - non-disabled family | 65           | £75,173.60            | 0.5%          |
| Non working couple - disabled family     | 40           | £46,934.68            | 0.3%          |
| Others                                   | 6            | £5,769.00             | 0.0%          |
|  | <b>13980</b> | <b>£13,995,649.23</b> | <b>100.0%</b> |