

EAST HERTS COUNCIL

EXECUTIVE - 31 JULY 2012

REPORT BY EXECUTIVE MEMBER FOR FINANCE

COUNCIL TAX SUPPORT SCHEME

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- To determine a draft Council Tax Support Scheme on which to consult.

<b><u>RECOMMENDATIONS FOR EXECUTIVE</u> That:</b>	
<b>(A)</b>	<b>The Council put out for consultation a draft council tax support scheme as set out in this report.</b>

1 Background

- 1.1 The current nationally prescribed scheme of council tax benefits will be replaced by locally determined schemes of council tax support on 1 April 2013. The new schemes will provide support to qualifying council tax payers by way of a reduction of their tax liability (much as single occupier discount does now) rather than a payment of a benefit towards the liability.
- 1.2 The Council must determine its local scheme by 31 January 2013 following consultation. Failure to do so would mean a default scheme would apply which would provide for existing levels of support to continue.
- 1.3 The government will provide grant funding at 90% of the projected cost of support as if the existing benefits scheme had continued. The government is looking to councils to achieve a 10% saving in the cost of support or otherwise meet the difference if the council chooses to set a scheme (or the default scheme is imposed) which cannot be funded within the grant.

- 1.4 The Council's scheme cannot reduce support for pensioners and must have regard to other vulnerable groups.
- 1.5 Council tax support will be outside of but is expected to complement Universal Credit in supporting people into work.
- 1.6 Enabling legislation is set out in the Welfare Reform Act 2012 and the Local Government Finance Bill. Although the statutory regulations provided for in this legislation are not yet in place the government published a "Statement of Intent" on which this report is based.
- 1.7 Parishes and town councils will be protected such that the scheme of support has no impact on their precepts.

## 2 Report

- 2.1 The new scheme of council tax support is important to all major preceptors – the County Council, Police Authority and East Herts because by working to reduce the council tax base all will see a reduction income at current rates of council tax. All will receive grant to offset that loss. The cost of benefits is about £7m per year and if we did nothing that cost would continue and there would be a £700k "gap" between this cost and grant income. Of that £700k the County Council would meet £525k, the Police Authority £70k and East Herts £105k.
- 2.2 The decision on the scheme is for East Herts to make but the County Council is a required consultee. Discussions to date with the County Council and Police Authority representatives have indicated a desire to avoid any impact on the council tax. As set out below that view is consistent with East Herts intention to maintain the freeze on council tax. Representatives of the County Council and Police Authority have confirmed that the discussions to date are adequate to inform the drafting of a scheme for wider public consultation.
- 2.3 Council tax benefits are both a complex and sensitive issue in providing financial support to families. In setting out the options in this report regard has been had to the following factors
  - Government's intentions as set out in the Statement of Intent
  - The time constraints to design, consult on and put in place a scheme

- Availability of information
- What the ICT suppliers can provide by way of changes to systems
- Costs of retraining staff etc
- Collection and other risks
- Dialogue with neighbouring district councils, the County Council and Police Authority
- Communicating the impact of the changes to those affected and to the wider community

2.2 The proposal set out here is therefore based on taking the existing scheme of council tax benefits and making minimum adjustments.

2.3 The following principles have guided the design of the scheme

<b>Principle</b>	<b>Rationale</b>
There should be no increase in council tax arising from the proposals	The council is committed to freezing council tax
The cost of protecting pensioners should not increase the savings required within the working age group	<p>The current case load is roughly 50% elderly and 50% working age.</p> <p>To require the working age group alone to meet the cost of protecting pensioners would require at least a 20% reduction for this group.</p> <p>The government has talked of a 10% reduction so communicating on 20% might be interpreted as a local decision to double the impact.</p> <p>Collection difficulties will escalate as working age claimants are asked to pay increasing amounts</p>
The cost of support for the working age group should be reduced by 10% rather than passed on to council tax payers or others.	Protection for the working age group is not consistent with reducing the public sector spending deficit.
The cost of any growth in the working age group not offset by government grant should be met within the working age group i.e. by a further reduction beyond the 10%	This effectively caps the cost of working age benefits within the funding envelope for this group.
The working age group should be treated consistently i.e. no further protection within this group	If some claimants within the working age group are treated preferentially then others within the group will see a

	<p>larger reduction.</p> <p>The current system and calculation already differentiates between families according to their composition including differing levels of disability.</p> <p>In undertaking an equality impact assessment the starting assumption has been that the current scheme does not treat any group disadvantageously. By not changing relative levels of support there is less risk that a revised scheme would be subject to challenge on the grounds of equality</p>
Savings should be achieved by a “scaling factor” not changes to elements of the calculation	<p>Simplicity of administration and communication.</p> <p>More risk of challenge by those disadvantaged by relative changes to individual factors.</p>
Looking ahead a much simpler system needs to be considered.	<p>Time constraints make a radical change by 2013 virtually impossible without significant financial and delivery risks.</p> <p>However a future system that is simpler to explain and to administer will aid communication and reduce costs.</p>

2.4 The proposal is that savings on the cost of support for working age claimants should be achieved by making the first 10% of council tax liability payable by all (other than protected pensioners<sup>1</sup>). There will be no changes to eligibility criteria<sup>2</sup> or any of the factors included in the calculation. Consideration has been given as to whether any group within the working age claimants should be treated similarly to pensioners. As set out above the proposal is not to introduce any additional differentiation. There is a further practical problem of estimating the numbers of claimants to which any additional factors might apply given current information.

<sup>1</sup> Pensioner is defined as anyone (man or woman) whose age is that at which a woman reaches state pensionable age and which is gradually equalising with that of men. Currently this is just over 61

<sup>2</sup> For example the current residency tests in respect of people from abroad.

- 2.5 The simplicity of this approach will mean those affected will be able to very easily calculate the additional council tax they will be required to pay. This will vary by the tax band of the property occupied and whether or not single occupier discount applies. At town or parish level the local precept will be a further variable.
- 2.6 In looking at the financial impact on families occupancy of a Band C property is most typical and 90% of current claimants occupy houses in bands B to D. For a couple currently entitled to 100% council tax benefit the typical impact will be an increase of roughly £11 per month and for a single person £8 per month. Two thirds of claimants currently receive 100% benefit. Overall, 90% of claimants will see an increase of not more than £13 per month.
- 2.7 The proposals will require additional measures to offset or meet the 10% saving required on the cost of support for pensioners. The council will be able to exercise discretion over the rate of discount on empty properties from 1 April and will look to exercise that discretion to promote earlier re-occupation and more efficient use of the supply of housing. That policy will provide an offsetting increase in the council tax base at least adequate to cover the reduction in the base from discounts to pensioners.
- 3.0 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

### Background Papers

Localising Support for Council Tax A statement of Intent DCLG May 2012

Contact Member: Michael Tindale – Executive Member for Finance  
[michael.tindale@eastherts.gov.uk](mailto:michael.tindale@eastherts.gov.uk)

Contact Officer/  
Report Author: Alan Madin – Director of Internal Services  
Contact Tel No Ext 1406  
[alan.madin@eastherts.gov.uk](mailto:alan.madin@eastherts.gov.uk)