

## **Appendix A - The origins of Council Tax Support (CTS)**

1. Before April 2013, the service administered Council Tax Benefit on behalf of the Government. This national scheme was specified in legislation and LA's were reimbursed by the Department of Work and Pensions (DWP) through a subsidy claim submitted annually and subject to audit.
2. The level of subsidy reimbursement varied dependant on whether benefit had been awarded, backdated or overpaid, but the point to note is that entitlement and subsidy were based on assessing entitlement on 100% of somebodies council tax liability, net of discounts (like a single person discount).
- 3 The scheme was means tested and whilst the scheme differentiated between different client groups (providing extra support for disabled groups for example) there was little differential between Elderly and Working Age clients.
- 4 Clients fell into one of two groups, "passported" and "standard claims." A passported claim was one in which the DWP had already carried out a means test and then notified us that the customers income was at or below the minimum income level for their household composition. They would be automatically entitled to 100% of their Council Tax to be paid by Council Tax Benefit. A deduction would however be made from this entitlement where there were non-dependants living in the home.
5. The second group were called 'standard claims'. These customers had their means testing done by the council and awarded Council Tax benefit in accordance with the national scheme criteria. These customers had income above the minimum requirements and would be required to pay something towards their council tax liability. A deduction

would also be made from this entitlement where there were non-dependants living in the home.

6. In very simple terms entitlement was determined by comparing eligible incomes against relevant applicable amounts. When income equalled or fell below applicable amounts, the maximum entitlement is achieved. If income exceeded applicable amounts, entitlement was reduced by 20% of the excess. The applicable amounts were determined by the DWP in respect of Housing Benefit claims.
7. In more complex terms, every income and capital source had to be assessed in accordance with its type, and then determined if it was included in the assessment. Child benefit, maintenance paid to a child, PiP and DLA, war pensions etc were fully disregarded, whilst earned income was calculated after tax and NI, and 50% of pension contributions, averaged over the relevant period. Payments to certain child care providers were disregarded, whilst capital (excluding the property occupied) included savings, shares etc and if the total exceeded £16k, the customer was excluded from entitlement.
8. In very general terms the full expenditure on the scheme was reimbursed by the DWP.

### **The impact of changes from 1<sup>st</sup> April 2013**

9. The national scheme for Council Tax Benefit ceased, and Councils had to devise their own Council Tax Reduction Schemes for working age claimants. The Government continues to specify the scheme for Elderly customers through prescribed regulations.
10. Instead of the scheme being funded through a subsidy claim based on actual expenditure, the Government moved the funding into the Revenue Support Grant (RSG) settlement, fixing it at only 90% of the subsidy paid in a previous year. RSG

was the amount of grant that Government gave to Councils to support their wider service delivery, and made up one part of the income of the Council in addition to Council Tax receipts, fees and charges and an element of Business rate collection. However the move away from RSG makes this funding element less obvious.

11. From 14/15 the 90% grant that was included in the RSG was no longer individually identifiable. Therefore calculating the total cost of the scheme i.e. the cost of the CTS scheme versus the CTS grant given by Government is now impossible.
12. Each Council had to consider how to fund 100% of the cost of the Elderly 'national' scheme and provide a Working age scheme, whilst receiving 10% less funding.
13. Pensioner claimants are protected from changes through the provision of a statutory scheme.
14. Schemes must support work incentives.
15. The DCLG Policy Statement of Intent did not give a recommended approach to be taken, but indicated the scheme should not contain features which create disincentives to find employment. The current East Herts scheme complies with this statement.
16. Local authorities must ensure that appropriate consideration has been given to support for other vulnerable groups, including those which may require protection under other statutory provisions including the Child Poverty Act 2010, the Disabled Persons Act 1986 and the Equality Act 2010, amongst others.
17. The DCLG issued Policy Statements that addressed a range of issues including the following:

- Vulnerable People and Key Local Authority Duties;
- Taking work incentives into account;
- Information Sharing and Powers to Tackle Fraud.

18. The Local Government Finance Bill stated that a Billing Authority must have regard to any guidance issued by the Secretary of State. Our current scheme has sought to address these requirements.

19. The Council initially devised a scheme which replicated the previous national scheme but limited the Council Tax liability that was used to assess entitlement to 90% for working age customers. The Government offered a one off transitional grant to Councils who would restrict the reduction to 91.5%, and accordingly the Council amended the proposal and took the one off transitional grant. The Council has maintained this position for the first 8 years of the scheme.