

Annexe 1

Background to Changes

As part of the Spending Review 2010 the Government announced that the current national Council Tax Benefit (CTB) system would be replaced by localised Council Tax Reduction schemes from 2013-14. As well as the transfer of responsibility from Central to Local Government, the Government is also proposing to cut the level of grant to local authorities by 10%. The total council tax benefit awarded in Waverley in 2011/12 was £6.1m; therefore the cut in grant for Waverley is likely to be £0.6m.

Currently in Surrey the district councils administer a national scheme of Council Tax Benefit. Residents are eligible for Council Tax Benefit if their income and capital (savings and investments) are below a certain level. They can apply whether they rent or own their homes, or live rent-free but they must be liable to pay the Council Tax on the property. They can qualify if they are out of work, or in work and earning a wage. To work out their Council Tax Benefit, councils will look at:

- Money coming in, including earnings, some benefits and tax credits and things like occupational pensions
- Savings
- Circumstances: for example their age, the size of their family and their ages, if they or any of their family are disabled, and if anyone who lives with them could help with the rent

Council Tax Benefit claimants can get a partial or full reduction on their bill. More details of the components of the current council tax benefit system are included in Annexe 2. Currently councils, in awarding council tax benefit, have a loss of revenue which is reimbursed by the Department of Works and Pension, with full reimbursement for correctly awarded benefits. Councils also receive a grant towards administration costs.

The Government has stated it has two underlying principles underpinning its approach to the future localisation of Council Tax Benefits in England:

- Localised schemes should provide support for the most vulnerable, including vulnerable pensioners.
- Localised schemes should assist with lifting the poorest people off benefits and supporting them into work.

The New Framework for Council Tax Reduction Scheme

Financial support for low-income council tax households will become fully integrated into the Council Tax system, with support being offered as reductions on Council Tax bills rather than a benefit awarded against their full Council Tax liability. This means that local decisions about which vulnerable groups should qualify for council tax support, including the reduction on income grounds, will need to be taken as part of the Council tax-setting process.

Billing authorities like Waverley will lead the implementation of the local Council Tax Reduction Scheme. In finalising their local scheme Councils will need to know:

- The scheme grant allocation – grant will be paid to billing and major precepting authorities pro-rata to their share of Council tax, thereby reducing each authority's Council Tax requirement
- The potential caseload – prior year data will be available to initiate the process of decision making about the operation of local schemes. Waverley will need to model caseload and to analyse the effects of changing variables including the factors which could lead to an increase in demand across certain groups.

Any new Local Scheme will need to:

- Detail the Council tax reduction available / to be awarded locally;
- Include categories of claimant entitled to a Council tax reduction and the Council tax reductions which are to apply to those categories. The Secretary of State will be given powers to specify categories of persons and the reduction they will be entitled to, but the Government currently intend to only use this power to prescribe support to be provided to pensioners;
- Set out procedures for applicants to follow in making applications;
- Set out procedures for appealing decisions (it is intended that the Valuation Tribunal is the independent appeal body)

In advance of the new scheme being agreed, the Council must (in the following order):

- Consult with all major precepting authorities, Surrey County Council and Surrey police Authority, who will share the effects of any increases or reductions in demand for Council tax benefits and costs based on the local scheme offered; and,
- Publish a draft scheme; and,
- Consult with other persons that the Council considers are likely to have an interest in the operation of the scheme

Council Tax benefit currently received by pensioners must not be reduced as a result of the introduction of the new council tax support scheme. The Government also highlighted that Councils need to consider protecting other vulnerable groups and, whilst they are not specific in their intentions, they point Councils to their responsibilities in relation to,

- The Child Poverty Act 2010
- Disabled Persons
- The Housing Act 1996, which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups.

In developing the local scheme the Government's expectation is that Councils should seek to protect customers who receive some form of disability income. It is also the Government's expectation that Councils should seek to support the principle of the new Universal Credit scheme which aims to incentivise people to move from benefit into work. Under these arrangements, people should therefore have more overall income in work than out of work.

Annexe 2

COUNCIL TAX BENEFIT – VARIABLE COMPONENTS

| Name | Description |
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| Child Benefit Disregard removed – all children | Child benefit is currently not taken into account as income in the calculation of benefit. The rates paid are £20.30 for the first child and £13.40 for each other child. |
| Child Benefit Disregard removed – 1 st Child only | Child benefit is currently not taken into account as income in the calculation of benefit. The rates paid are £20.30 for the first child and £13.40 for each other child. |
| Child Benefit Disregard – more children – | Child benefit is currently not taken into account as income in the calculation of benefit. The rates paid are £20.30 for the first child and £13.40 for each other child. |
| Maintenance for children – disregard removed | Maintenance received for children is currently not taken into account as income in the calculation of benefit. |
| Remove childcare disregards | If childcare is paid, this is paid in Working Tax Credit and this is disregarded |
| No Second Adult Rebate | Second adult rebate is currently available to a single person liable for Council Tax who has another adult living in the property who is not a partner, lodger or boarder but is on a low income. Depending on the income of that person the liability is reduced by 7.5%, 15% or 25%. |
| No Backdating | Currently benefit is awarded from the Monday following date of application but can be backdated up to six months before this date if good cause is shown for not claiming earlier. |
| Restrict Minimum payment to £5.00 per week | The current minimum award is 1 penny. The £5 a week minimum award would mean those currently receiving up to £260 per year would no longer receive this help. |
| Restrict Maximum Benefit award to Band F property | This would affect anyone claiming support in a band G or H property by calculating their support based on the band F liability. (Currently £2,258.39 in Godalming) |
| Restrict Maximum Benefit award to Band E property | This would affect anyone claiming support in a band F, G or H property by calculating their support based on the band E liability. (Currently £1,910.94 in Godalming) |
| Restrict Maximum Benefit award to Band D property | This would affect anyone claiming support in a band E, F, G or H by calculating their support based on the band D liability. (Currently £1,563.50 in Godalming) |
| Reduce Upper Capital limit – working age to £6,000 | The current capital limit for working age claimants is £16,000. Capital between £6,000 and £16,000 is taken into account as income at the rate of £1 for every £250 held. |
| Reduce Upper Capital limit – working age to £8,000 | The current capital limit for working age claimants is £16,000. Capital between £6,000 and £16,000 is taken into account as income at the rate of £1 for every £250 held. |
| Reduce Upper Capital limit – working age to £12,000 | The current capital limit for working age claimants is £16,000. Capital between £6,000 and £16,000 is taken into account as income at the rate of £1 for every £250 held. |

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| Self Employed (S/E)– Minimum wage applied | Assume an income of minimum wage for S/E claimants. |
| Earnings disregard Increase to £10 for single person, £20 for couple and £25 for lone parent | Currently £5 single £10 couples £20 for disabled This can be decreased to make a saving or increased to allow more benefit and be an incentive to work. |
| Increase additional earnings disregard criteria from 16 hrs to 24 hrs | If one member of a couple with a child works more than 16 hrs a week an additional disregard is applied to their income of £17.10. |
| Non- dependant flat rate deduction of £10 per week | A deduction is made from claimants benefit for non dependants who live in the household depending on their income. The rates are currently: Income less than £183 - £3.30 Between £183 and £315 - £6.55 Between £316 and £393 - £8.25 Over £394 - £9.90 |
| Increase non dependant deductions | Increase non dependant charge to £10 for an income between £0 and £315, no benefit for income over £316 |
| Increase the income taper to 30% | We currently take 20% of income into account for CTB and 65% for HB. This could be increased to make a saving |
| Take into account war pensions | War pensions are currently not taken into account as income in the calculation of benefits. |
| Take into charitable and voluntary payments | Charitable and voluntary payments are currently not taken into account in the calculation of benefits. These include regular payment from a relative or charitable organisation. |
| Reduce personal allowances | Personal allowances are awarded to everyone based on age and who is in the household. This is the amount the Government says that you need to live on each week. For example a couple aged 18 or over , £111.45, a child £64.99. |
| Remove family premium | Premiums are added to a claimant's personal allowance under certain circumstances, such as the disability premium for someone in receipt of disability living allowance. There is a family premium of £17.40 awarded to claimants with children. |
| Remove disregard for boarders | The first £20 of income received from boarders is not taken onto account in the calculation for benefits. |
| Reduce council tax liability by 20% | The maximum liability that will be taken into account before benefit is applied will be 80% |

Annexe 3

Proposed Council Tax Support Scheme for Consultation agreed in September

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| 1. | Remove Second Adult Rebate. Benefit is currently paid based on non-dependant household members' financial position, not the claimants. |
| 2. | Reduce the minimum weekly benefit award to £5 thereby reducing small payments. |
| 3. | Withdraw the provision for claimants to backdate claims for council tax support. |
| 4. | Restrict the maximum award to Band D properties. Qualifying claimants living in Bands E, F, G, H properties would receive support equivalent to the Band D rate. |
| 5. | Encourage extra part-time working to 24 hours per week in-line with Working Tax Credits by removing the disregard which currently starts at 16 hours. |
| 6. | Remove the family premium from the needs allowance because extra support is already given to families through tax credits. |
| 7. | Treat all child benefit as income as it will be taxable income |
| 8. | Treat all maintenance for children as income. |
| 9. | Increase non-dependants charges at a flat rate to £10 for income up to £315 per week to simplify the scheme. Where non-dependants earn over £315 per week no council tax support would be payable |
| 10. | Increase the income taper to 30% whilst still providing an incentive to work |
| 11. | Use the minimum wage to assess low income self-employed claimants |