

Draft Council Tax Reduction Scheme 2014-2015

Background papers and supporting information

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1. OVERVIEW

- 1.1. Council Tax Reduction replaced Council Tax Benefit from April 2013. Local authorities have to operate a Council Tax Reduction scheme to help people on Benefits and low income pay their Council Tax liability but are free to design the help they give to working age people in any way they see fit. However, pensioners are protected from any loss of benefit and have to receive the same amount as they would have if Council Tax Benefit still existed.
- 1.2. By law each financial year the Council must consider whether to revise or replace its scheme and any revision or replacement must be made by 31 January in the preceding financial year to that which it is to take effect. This means the Council must consider any revision or replacement to its current scheme by 31 January 2014. This decision must be taken by Full Council. If Full Council does not adopt a revised scheme by 31st January 2014, the current scheme continues to apply for the following financial year.
- 1.3. The statutory consultation requirements apply to an authority when revising a scheme as it applies to an authority when making a scheme. The Council is required to publish a revised draft scheme in such a manner as it sees fit and to consult major precepting authorities (in Camden's case the Greater London Assembly) and other persons as it considers likely to have an interest in the scheme.
- 1.4. Council Tax Benefit used to be fully funded by the Department for Work and Pensions. When the Council Tax Reduction was introduced in 2013 a new fixed grant was made available to local authorities based on 90% of a local authority's expenditure on Council Tax Benefit in the year 2011/12. This 10% reduction in funding posed significant financial difficulties and risk in modelling what the expenditure would be for 2013/14 coupled with uncertainties about the numbers who might claim the new reduction.
- 1.5. To ease the introduction of Council Tax Reduction schemes, the Government made a late announcement that for 2013/14 transitional funding would be available to those local authorities who limited the amount that working age claimants would have to pay to no more than 8.5% of their Council Tax liability.
- 1.6. Following a public consultation, Camden accepted the transitional funding and adopted a Council Tax Reduction scheme for working age claimants where the maximum support available is 91.5% of their total Council Tax liability. No additional support was offered to any particular sub-group of working age claimant.
- 1.7. The amount of funding for 2014/15 will be the same as the original allocation of £24.42m but there will not be an additional transitional grant. This means that, in effect, the amount of funding we get will be reduced.
- 1.8. We have looked at the current scheme and would like to make a change in 2014 - 2015 in order to encourage people to start work or increase their working hours. This is why we are consulting again

2. PRINCIPLES OF A COUNCIL TAX REDUCTION SCHEME

- Local Authorities have a statutory duty to run a scheme to provide for Council Tax support in their area
- Local Authorities must carry out a public consultation when making or revising their proposed scheme
- There must be no change in the current level of award for pensioners
- Local Authorities should also consider supporting other vulnerable groups and have regard to:
 - the public sector Equality Duty (*The Equality Act 2010*);
 - the duty to mitigate effects of child poverty (*The Child Poverty Act 2010*);
 - the duty to prevent homelessness (*The Housing Act 1996*).
- Local schemes should support work incentives, and in particular avoid disincentives to move into work

3. CTR SCHEMES

- 3.1. By law each Council has to run a CTR scheme. Depending on the age of the applicant or their partner they may have their entitlement to support assessed under different rules.
 - **Pension Credit Age (100% scheme)**

The Government has said that people of Pension Credit age must have their CTR award based on 100% of their Council Tax liability. However, they may still have to make some payments depending on their income and other circumstances.
 - **Working Age (WA scheme)**

If a person is not of Pension Credit age they will be on the Council's Working Age (WA) scheme and their CTR will be determined by the rules of that scheme.
- 3.2. The rules for Pension Credit CTR recipients are laid down by the government and closely follow the old Council Tax Benefit regulations. Each Council is free to make its own rules for its Working Age CTR scheme and to decide the maximum amount of help a person on their Working Age scheme might get.
- 3.3. Councils can chose to add other groups of working age people e.g. lone parents, disabled households, households with young children, to the 100% scheme. They do not have to do this and indeed may decide not to if the effect is to disproportionately increase the amount that other working age people would have to pay.
- 3.4. When adopting a local scheme, the Council needs to consider how the scheme will help to deliver local priorities within available resources. The estimated funding for 2014-2015 is £24.4 million

4. CHOOSING MODELLING OPTIONS

- 4.1. Officers considered ways in which they could look at the effect alternative schemes would have on CTR recipients so they could determine the cost and impact of various options for a scheme for 2014 to 2015.
- 4.2. Two ways of doing this were identified
 - Looking at the effect of any possible options on the current CTR caseload
 - The CTR caseload changes all of the time as either people make new applications, have changes in their circumstances and income or stop needing support for various reasons. This means that it is difficult to get an accurate picture of the caseload and to measure the effect of any changes to the scheme
 - In modelling new schemes the Council looked at the CTR caseload as of 13 June 2013 and analysed the effect that changes would have on this cohort.
 - Looking at the effect the 2013-2014 CTR scheme has had on various groups
 - Officers looked at the current scheme and tried to analyse the effect it has had on CTR recipients. Because the existing scheme has been operating for only 5 months there is a limited amount of data.
 - The best information available to compare the effect on people of having to pay 8.5% of their Council Tax liability is to look at the breakdown of people summonsed for non-payment.

5. CTR OPTIONS CONSIDERED AND MODELLED

- 5.1. Disabled Households (Dis)

The definition of a disabled household for the purpose of this model is that the claimant, their partner or a dependant child is receiving Disability Living Allowance, Personal Independence Payments or Carers Allowance. There are 3,213 CTR households in Camden receiving one or more of these benefits.

Officers considered the impact adding this group to the 100% scheme would have on other working age CTR recipients. They also took into account that fact that the extra money from these benefits are ignored in the CTR calculation and additional premiums are given to these households. The effect of this is to reduce the income taken into account in the Council Tax Reduction calculation.

- 5.2. Total Benefit Cap (TBC)

These are people affected by the Total Benefit Cap that has been introduced by the Government. The cap means that no one will get more than £500 a week in benefit; this includes the amount of Housing Benefit that they receive

There are approximately 500 CTR households affected by the Total Benefit Cap, and 400 of these are households with children. Extending the 100% CTR scheme to these households would mitigate some of their benefit losses. However there are also 100 households without children and they would also benefit from this option.

Part of the Camden Plan is to encourage and sustain residents in work and finding employment also exempts households from the Total Benefit Cap, so extending the 100% scheme to this group might be counterproductive.

5.3. Social Sector Size Criteria (SSSC)

These are working age households who have been identified as having one or more 'spare' bedrooms. The losses under this welfare change are generally less than under the Total Benefit Cap.

The Council is encouraging people who are in accommodation larger than their needs to downsize to free up more accommodation for those that are overcrowded. Including this group in the 100% scheme might discourage them from downsizing.

There are approximately 1,700 CTR households affected by the size criteria in Camden, 300 are households with children. The number of CTR applicants in this group means that adding them to the 100% scheme would mean a large increase in the CTR budget.

5.4. Lone Parents (LP)

The model shown includes all lone parents whatever the age of their dependant children. There are 4,691 households in this group so extending the 100% scheme to them would result in a substantial increase in the CTR budget whichever Working Age scheme is adopted. Officers also noted that 27% of lone parents are in work increasing the earnings disregard would increase their weekly disposable income and provide an incentive for them continue, or take up employment

5.5. Under 5's (U5)

We could give help to families with children under any specified age –officers modelled the impact on those with children under 5. The model has used, as an example, the 2,500 families, both lone parents and couples, with children under 5. 40% of these households are in work so an increase in the earnings disregard would have a positive effect on children in families where one or both parents work.

5.6. Earners (Earn)

Officers looked at the effect of making the scheme more generous for people who are in work. Of the 16,736 working age CTR households 4,485 (27%) are working

Under the current scheme, the following amounts of weekly earned income are ignored when calculating someone's entitlement to a Council Tax Reduction:

- Single person = £5 per week
- Couple = £10 per week
- Lone Parent = £25 per week
- Some disabled people, carers and those in special occupations = £20 per week

These earnings disregards were set in 1988 when the amount of disregarded money was not insignificant. There has been no adjustment to allow for general inflation since then.

Officers looked at the effects of increasing these disregards by various amounts in order to increase working people's disposable weekly income and provide an increased incentive for people to work.

5.7. A combination of changes

Officers looked at the various combinations of the above to determine the additional cost they would impose on other CTR applicants. These are detailed in Tables 2, 3, and 4

- 5.8. Officers also took into account the effect putting any additional groups onto the 100% scheme would have on other working age CTR recipients. Depending on the scheme adopted there might be an increase in the amount others would have to pay.

Table 1

CTAX	Cost per week (additional cost compared to current scheme)		
BAND	Current 91.5% Scheme	88% scheme	85% scheme
A	£1.44	£2.03 (£0.59)	£2.54 (£1.10)
B	£1.68	£2.37 (£0.69)	£2.96 (£1.28)
C	£1.92	£2.71 (£0.79)	£3.39 (£1.47)
D	£2.16	£3.05 (£0.89)	£3.81 (£1.65)
E	£2.64	£3.73 (£1.09)	£4.66 (£2.02)
F	£3.11	£4.40 (£1.29)	£5.50 (£2.39)
G	£3.60	£5.08 (£1.48)	£6.35 (£2.75)
H	£4.31	£6.10 (£1.79)	£7.62 (£3.31)

6. CTR OPTIONS CONSIDERED BUT NOT MODELLED

6.1. Putting everyone on the 100% scheme

Officers considered increasing the maximum support available to all working age people to 100% to mirror the statutory pensioner scheme. The money to finance this would have to be found from elsewhere and officers researched and considered the following options for doing this:

- Increasing Council Tax
 - The Council could increase Council Tax; however any increase to cover the shortfall would be substantial. The Council cannot increase Council Tax above 2% without holding a local referendum of every resident; an increase of 2% would raise £1.6million which is less than the funding gap.
 - Additionally, because we cannot only increase Council Tax for the non-Council Tax Reduction recipients, an increase in Council Tax would increase the whole Council Tax Reduction bill and therefore widen the gap between funding and spending
 - This would also affect everyone not receiving a full Council Tax Reduction as their contribution would increase
- Cutting front line services
 - The Council cannot cover shortfalls in funding without impacting on services
 - Any reduction to front line services might be substantial and could have serious impacts on all Camden residents.
 - These cuts are likely to disproportionately affect the most vulnerable whose benefits such a move would be seeking to protect.

6.2. Increasing non dependant deductions

A non-dependant is another adult, but not a partner, who lives in the CTR applicant's household. In many cases they are the grown up sons and daughters of the applicant. A deduction is made from the CTR award depending on the non-dependants circumstances. These deductions range from £0 to £10.95 per week.

Many councils have increased the non-dependant deductions and officers have considered this. However, because of the effect of other welfare changes, officers do not want to discourage CTR applicants from having additional people in their household. This is because the non-dependant may be contributing towards the applicants housing costs and increasing the amount of the deductions would reduce their ability to do this.

6.3. Supporting Foster Parents

Officers looked at the possibility of extending the 100% scheme to foster parents but, whilst this is possible, it is not ideal because

- foster parents might still have to pay some of their Council Tax bill because of their income or other circumstances
- it would not provide a real incentive for people to foster because the amounts concerned are quite small

Instead Officers intend to recommend in a separate report to Cabinet that registered Foster parents who foster for Camden and live in the borough should be given a full exemption from Council Tax provided that they have had at least one placement in the preceding financial year.

There are approximately 30 foster parents who would currently qualify for an exemption under these criteria and the cost to the Council would be in the region of £45,000. However, officers believe that this would provide a real incentive for people to come forward as foster parents.

If this scheme was agreed it would be managed through the Council Tax discount/exemption system rather than the CTR scheme and so would not have any effect on other working age CTR recipients. There will be a separate report to Cabinet about this in the autumn

6.4. Minimum payments

Officers looked at introducing minimum payments where a person who was entitled to less than £5 in CTR would not receive any support. This would only affect 473 CTR recipients and the savings would not be significant. Additionally these are people who are not receiving their maximum CTR and are therefore likely to be in fairly low paid employment. Reducing their CTR would be a disincentive to work.

6.5. Adopting a completely different scheme

Officers considered whether to investigate and recommend adopting a completely different scheme, but decided that keeping the eligibility criteria and rules used to calculate support for working age applicants as close as possible to those used for pensioners and Housing Benefit claimants has two advantages:

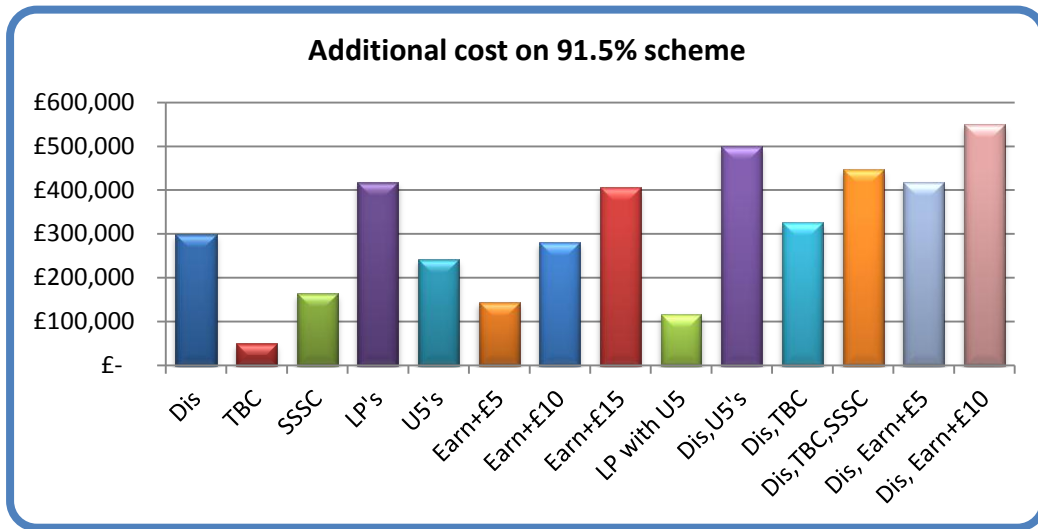
- It helps to keep the scheme as simple as possible for residents to understand
- It minimises administrative and computer software costs because the Council Tax Reduction award can be processed at the same time and on the same computer software system as Housing Benefit

7. RESULTS OF MODELLING

7.1. 91.5% (current) scheme

- By keeping the current maximum support at 91.5% working age CTR recipients would get the same support as they did in 2013-2014
- Based on the current CTR caseload the cost of the 91.5% scheme in 2014-2015 would be £24 million.
- Protection of any of the groups or increasing the earnings disregard would make the scheme more expensive but some could be affordable without reducing the support other working age CTR recipients would get.
- The additional cost of a number of these options is given in Table 2

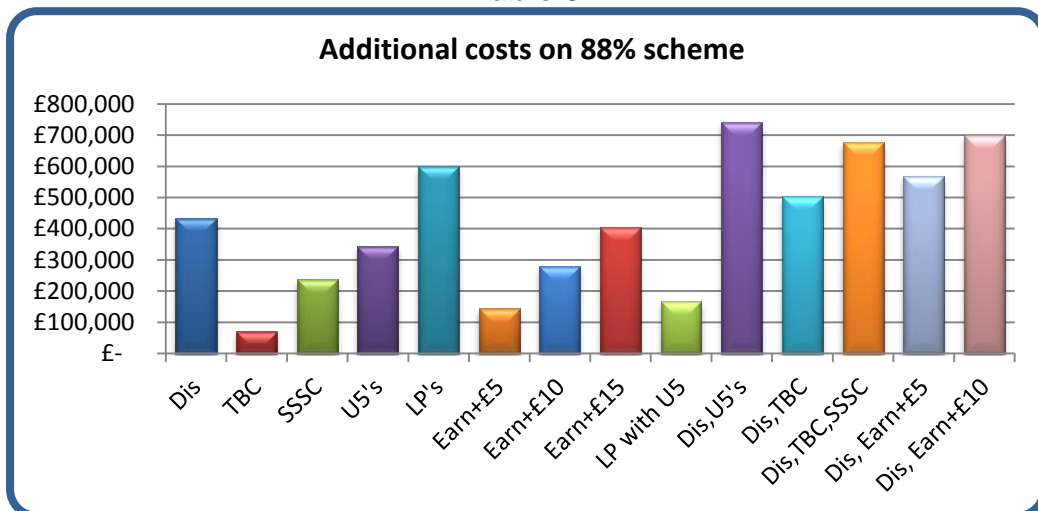
Table 2



7.2. 88% scheme

- By reducing the maximum support to 88% working age CTR recipients would have to pay on average 40% more than under the current scheme.
- Based on the current CTR caseload the cost of an 88% working age CTR scheme would be £23.4 million.
- This would mean that some groups could be protected or given extra support and the cost would be borne by the non-protected working age CTR recipients
- The additional cost of protecting any groups or increasing the earnings disregard is shown in Table 3

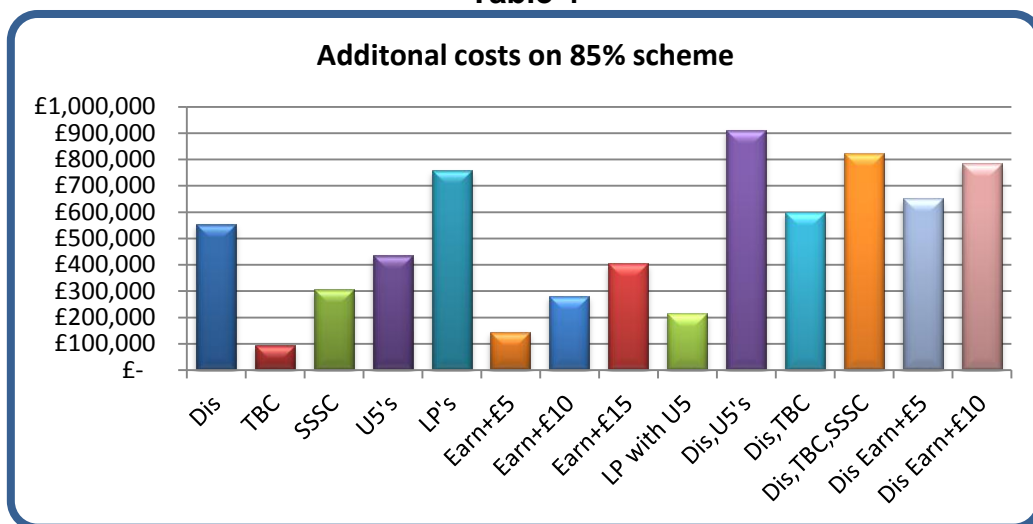
Table 3



7.3. 85% scheme

- By reducing the maximum support to 85% working age CTR recipients would have to pay on average 76% more than under the current scheme.
- Based on the current CTR caseload the cost of an 85% working age CTR scheme would be £22.8 million.
- This would mean that some groups could be protected or given extra support and the cost would be borne by the non-protected working age CTR recipients
- The additional cost of protecting any groups or increasing the earnings disregard is shown in Table 4

Table 4

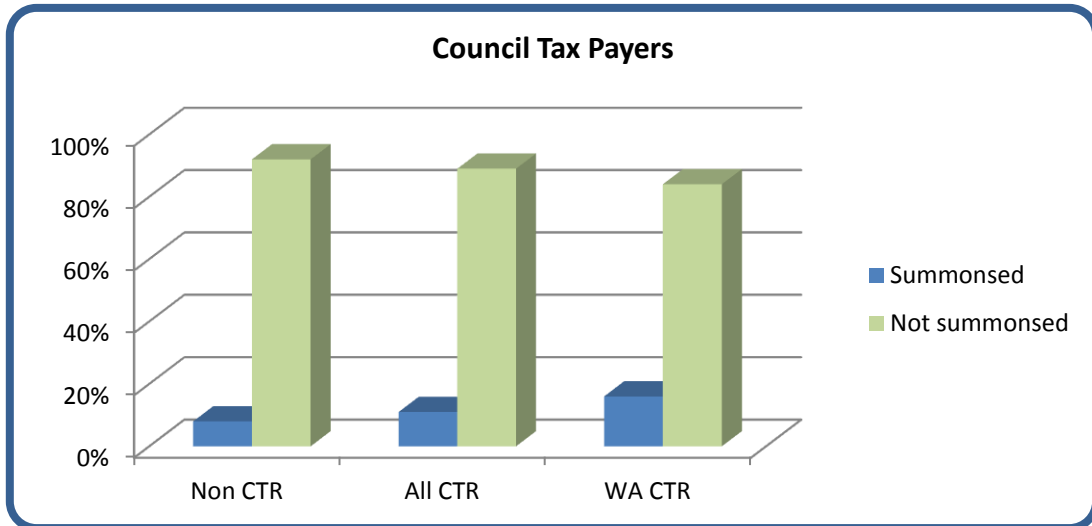


8. ANALYSIS OF CURRENT CTR SUMMONS DATA

- 8.1. The existing scheme has been operating for only 5 months so there is a limited amount of data. The best information available to compare the effect on people of having to pay 8.5% is to look at the breakdown of people summonsed for non-payment.
- 8.2. Officers have considered the affect the current scheme has had on CTR recipients and whether or not a higher proportion of them have been summonsed for non-payment of Council Tax
 - 2,675 (11%) of all CTR recipients were summonsed for non-payment
 - 6,226 (8%) of tax payers who do not receive a CTR were summonsed for non-payment
- 8.3. Officers then looked at the effect that receiving a maximum of 91.5% of their Council Tax liability had on various groups of working age CTR recipients to see if any particular group seemed to be more affected than others.

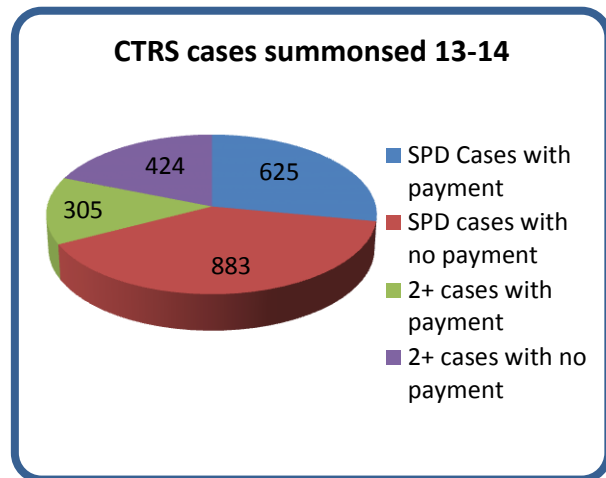
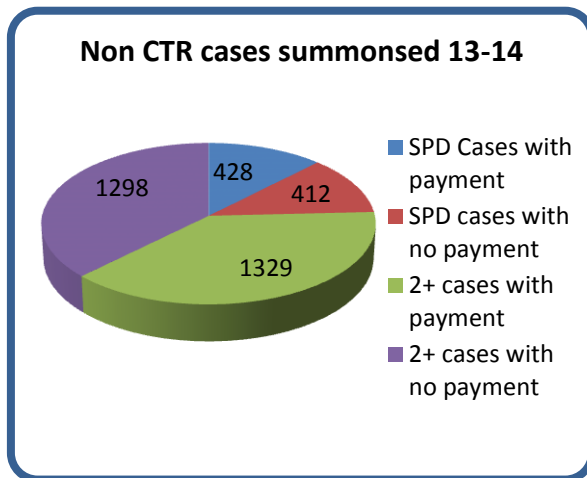
All Council Tax Payers

The following tables look at both the CTR and non CTR population



- Nearly twice as many Council Tax payers who are of working age (WA) and receiving CTR have been summonsed as non CTR Council Tax payers.

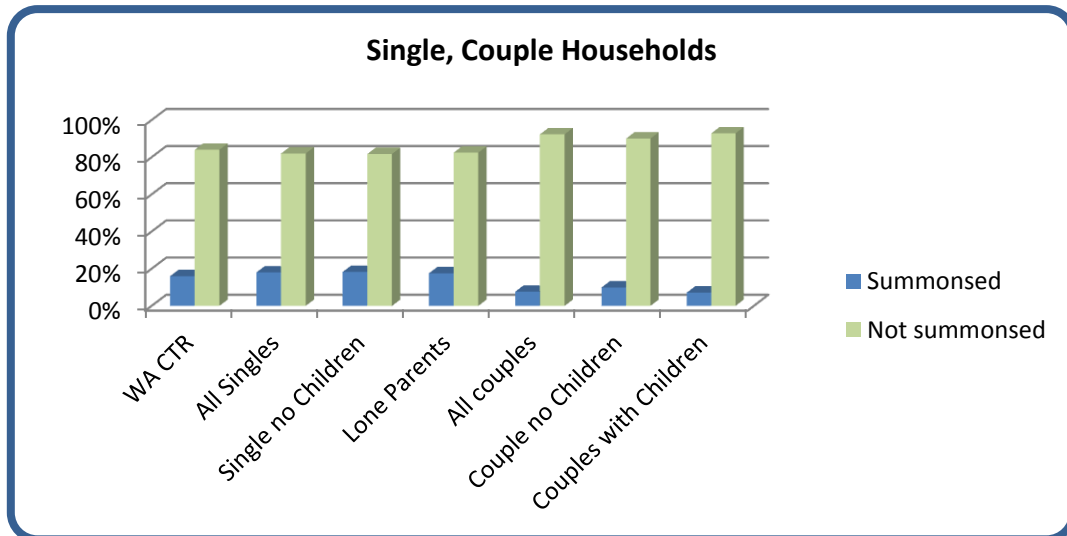
Council Tax payers with a Single Persons Discount (SPD)



- This shows that the majority of CTR recipients summonsed are single people whereas for the non CTR group this is a minority.
- Once summonsed, CTR cases make about the same attempt to pay as non CTR (50%)

Working Age (WA) CTR cases
The following tables look at the working age CTR population only

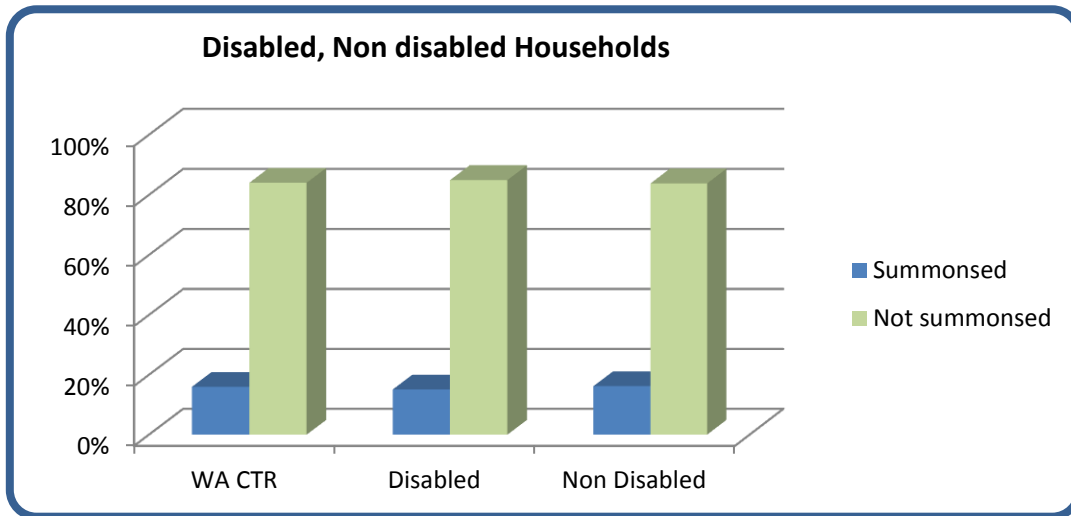
Household Type



- The percentage of single people summonsed is almost double the number of couple households. This is true across all single person household types. This is not unexpected as 80% of the CTR caseload are single households.
- 9% of households in work were summonsed compared to 18% not in work.
- Giving extra help to all lone parents would incur an additional annual cost of £417k. This would have to be funded either by reducing support to other groups, increasing the Council Tax for all taxpayers or reducing expenditure in other areas.
- 27% of lone parents are in work and 11% of these were summonsed. Increasing the earnings disregard (from £25 to £35) will increase their weekly disposable income and provide an incentive for them continue, or take up employment.
- For the non-working lone parents, officers have taken into account the additional support the Council is offering which includes:
 - free childcare for three year olds,
 - supporting people into employment by working with employers to recruit local people,
 - offering apprenticeships and work experience
 - advising people about training and skills development

Disabled Households

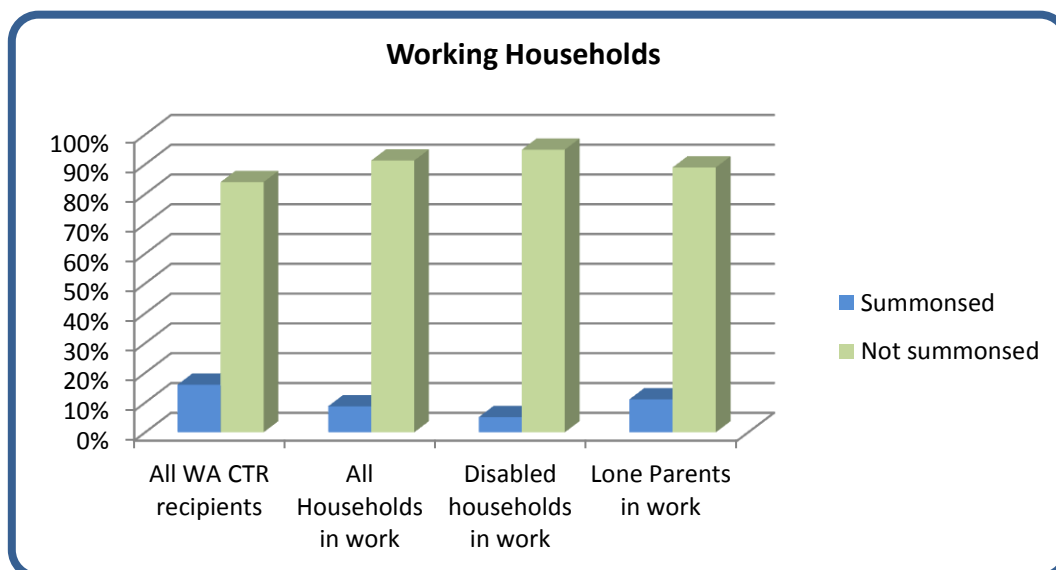
- This includes households where either the claimant, their partner or a dependant child is receiving Disability Living Allowance, Personal Independence payments or Carers Allowance



- 15% of disabled households were summonsed which is comparable to 16% of non-disabled households.
- The data so far indicates that these households no more affected by the 2013 Council Tax Reduction scheme than other households. Factors that contribute to this could include:
 - Extra money in the form of Disability Living Allowance and Personal Independence Payments to cover any additional mobility and care costs are not counted as income in the assessment of Council Tax Reduction.
 - Additional premiums associated with the receipt of any disability benefits are given to these households, this further reduces the income taken into account in the Council Tax Reduction calculation.
 - People can claim a Disabled Relief band reduction to reduce the amount of Council Tax they have to pay if their home has had certain adjustments as a result of their disability.
- Disabled households where someone is also working were half as likely to be summonsed as the working Council Tax Reduction population as a whole
- 8% of disabled households are working. Increasing the earnings disregards for these households (from £20 to £30) would provide an incentive for these households to continue, or take up, employment.

Working Households

- The definition of a working household is that either the claimant or their partner is receiving an income from either paid or self-employed earnings



- 4,485 (27%) of the working age Council Tax Reduction recipients are in households where either the claimant or their partner is receiving an income from earnings. 65% of these households have children. 8% of disabled households and 27% of lone parent households are working.
- CTR recipients that are working are less likely to be summonsed than those who are not. But 9% of all working households are being summonsed; this is a higher percentage than might be expected.
- Disabled households where someone is also working are half as likely to be summonsed as the working CTR population as a whole
- Working lone parents appear to be more affected than other working groups with 11% of them being summonsed.
- The cost of increasing help for working recipients is £280,000 making the total estimated cost of the preferred scheme £24.4 million. This is affordable within the Government funding and allows for a small increase in claimant numbers during the year
- Increasing the amount of earned income that is not taken on to account in the Council Tax Reduction calculation will encourage working age households to continue, or take up, employment with the aim being to reduce and eventually remove their dependency on Benefits.
- The ambition of the Camden Plan is “to tackle long-term inequality and make a real and lasting difference to people living in Camden”. The proposal to increase the income disregarded in the calculation of a Council Tax Reduction supports the rest of the activities being undertaken by the Council to improve our offer around employment training, advice and guidance and jobs brokerage to residents, and in particular the focus on supporting parents into work