

**REPORT TO:** Corporate Policy & Performance Board

**DATE:** 30<sup>th</sup> October 2012

**REPORTING OFFICER:** Operational Director – Finance

**PORTFOLIO:** Resources

**SUBJECT:** Localisation of Council Tax Support

**WARD(S):** Boroughwide

## **1. PURPOSE OF REPORT**

- 1.1. To update the Board on the results of the public consultation on the 'Council Tax Reduction Scheme'.
2. **RECOMMENDATION: That following the consultation process the 'Council Tax Reduction Scheme', as previously outlined, be recommended to Executive Board for adoption by the Council from 1<sup>st</sup> April 2013.**

## **3. BACKGROUND**

- 3.1. As part of the 2010 Spending Review the Government announced an intention to localise support for Council Tax from 2013-14 and to reduce expenditure on this benefit by 10%. The Welfare Reform Act 2012 provides for the abolition of Council Tax Benefit. Provisions for the localisation of Council Tax support are included in the Local Government Finance Bill which is currently before Parliament. It is expected that a one-off transition to the new localised schemes of support will take place from 1<sup>st</sup> April 2013.
- 3.2. Although the proposals are for each Local Authority, either on its own or in partnership with other authorities, to draw up its own scheme there are certain areas which the Government is not leaving to local discretion.
- 3.3. The Government has stated that there will be a 10% overall reduction in the amount of expenditure on this scheme. The implications of this are that there will be approximately £1.4m less paid out in help towards Council Tax in Halton.
- 3.4. The Government has made clear its intention that no pensioner will be worse off when Council Tax Benefit is abolished. This is to avoid low-income pensioners experiencing any increase in their Council Tax liability as a result of the reform, and will also ensure that future eligible pensioners will have the same support as existing eligible pensioners.

- 3.5. At present, Halton has a Council Tax Benefit caseload of some 15,400. Of these 6,400 are pensioner households. This means that for non pensioner households the overall reduction will be closer to 17%.
- 3.6. There may also be other groups who could struggle to pay Council Tax who the Government may wish to ensure that local authorities offer support. Decisions to extend protection to other groups will need to be balanced by the need for local authorities to manage the financial implications of offering support for Council Tax, and the potential impacts on Council budgets and other Council Tax payers.
- 3.7. At present these groups are not defined, but the implication is that each local authority may choose to define groups of people most in need who will warrant protection as well. The consequence of widening any protection is that there will be even less help available to the remaining caseload.
- 3.8. The new scheme needs to be in place by April 2013. In reality, due to the setting of Council Tax and billing process, a new scheme would need to be in place by October 2012. If a local scheme is not agreed by the 31<sup>st</sup> January 2013 then a default scheme will be imposed by the Government. The default scheme is to all intents and purposes the existing scheme and would leave the Authority with a £1.4m shortfall.

#### 4. Public Consultation

- 4.1 Prior to the adoption of any scheme a consultation process with major preceptors and the public had to be undertaken. The public consultation ended on the 21<sup>st</sup> September 2012. The 39 responses received to the consultation are attached in Appendix 1. A summary of the responses is given in Table 1 below.

**Table 1**

Total Responses to consultation	39
Received from Residents of Halton	35
Received from carer of a Halton resident	1
Received from representatives of RSL's	3

- 4.2 There has been a relatively limited response to the consultation process. However, every attempt was made to engage with all residents in the Borough, both benefit claimants and non-benefit claimants as the financing of the scheme affects all council tax payers in the Borough.
- 4.3 Statistically, from the responses that were received, the majority were in favour of the scheme. However, even from those in favour, responses did suggest that it was not ideal but that the Council had little alternative. In the main none of the respondents were able to suggest a workable alternative and there is nothing in the responses received that would necessitate a change to the scheme that was proposed.

- 4.5 The major precepting bodies were also consulted regarding the proposed scheme and have both responded. Cheshire Fire & Rescue Service has no comments regarding Halton's scheme. Cheshire Police Authority stated that they were not in a position to respond formally to the four Cheshire Councils' consultations on the council tax reduction schemes. This is for two reasons. Firstly, as the Authority will be abolished on 21<sup>st</sup> November 2012 and will not be setting next year's budget nor council tax, Members felt the Authority did not have the right to comment on the schemes. Secondly they recognised it was a sensitive political matter on which they were unlikely to reach unanimous agreement in framing a response.

## **5.0 PROPOSAL**

- 5.1 The existing regulations relating to Council Tax Benefit are used as the basis of the Local Support Scheme for Halton. This will ensure that existing support for claimants with disabilities, claimants with children and claimants who are working are maintained.
- 5.2 At the end of the existing calculation an appropriate percentage reduction is made from every non pensioner award of benefit to cover the shortfall in the government grant allocation for Halton. This deduction will be in the region of 21.55%. This would ensure that the bulk of the shortfall would be contained within the overall support awarded to claimants. This percentage is to be reviewed later in the year when the grant allocation is known. Further reviews to take place on an annual basis.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 6.1 As the Council administers over £11m of Council Tax Benefit, changes to this scheme will have major implications both for recipients of any new scheme, as well as for Council Tax payers generally. It has the potential to affect all Council priorities.

## **7.0 RISK ANALYSIS**

- 7.1 In view of the proposed new funding arrangements the Council carries the risk that the cost of any scheme which exceeds the Government's grant allocation will need to be borne in full by the Council.
- 7.2 The introduction of the new scheme will have implications with regard to the IT system currently used for paying Council Tax Benefit and the Department of Works and Pensions are in discussions with the major software suppliers. At the present moment Northgate, the Councils supplier of the Revenues and Benefits system, are anticipating to make amendments to the system to accommodate the proposed change. This will not be deliverable until the autumn and hence cannot be guaranteed until that date. The risk will be reduced by working closely over the coming months with Northgate Information Solutions, who supply the existing Revenues and Benefits system, to make best endeavours that the adaptations for Halton are deliverable on time.

7.3 Due to the reduction in overall payments some Council Tax payers who have previously had their Council Tax met in full by benefit may, under any local scheme, be billed for the first time. This will have a major impact upon the recovery of Council Tax, with implications for recovery procedures, staffing levels and the cost of recovery, in addition to confusion for many Council Tax payers in the Borough. Dependent upon the local scheme there may also be the challenge of collecting relatively small amounts of Council Tax from these people with all the associated problems which were highlighted under the Poll Tax.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 Any local scheme would need to ensure that no particular groups of individuals were adversely affected by the change and take into account that pensioners are to be protected. An Equality Impact Assessment will need to take place once the Scheme is agreed.

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Localising Support for Council Tax in England - DCLG Consultation Document	Revenues & Benefits & Customer Services Division Kingsway House Widnes	Peter McCann



## APPENDIX 1

### Council Tax Reduction Scheme Consultation responses

Total Responses	39	Of those who are residents of Halton:	
Received from residents of Halton	35	Receive Council Tax Benefit	13
Received from carer of a Halton resident	1	Are of working age	23
Received from representatives of RSLs	3	Are of pension age	9
		No age specified	4

### Responses from Housing Associations

Comments about propose scheme	Alternative suggestions
<p>HALTON HOUSING TRUST</p> <p>Halton Housing Trust understands the difficult situation faced by the council in the current challenging financial conditions as it attempts to develop a fair and equitable local support scheme with the shortfall in income and within the parameters for the scheme set by central government. Having considered the proposals the Trust is concerned about how these may impact on the most financially vulnerable residents within the borough many of which will be Trust customers. The Trust believes that the flat rate proposals will cause financial hardship on resident who are already least able to make a contribution and who may already be adversely affected by other aspects of welfare reform especially the size criteria (bedroom tax), benefit cap and impact of the change to Universal Credit. The proposed scheme would potentially impact most on long term full council tax benefit</p>	<p>As with any organisation Halton Borough Council have the alternative options of reducing their costs or increasing their income to meet the expected £1.4 million shortfall from the cut in funding from Central Government. As Halton BC have undertaken cost cutting measures to reduce its costs over the last 2 years there would be concern as to where further cuts could be made without having a direct impact on services, leading to a negative impact on the local economy as well as potentially hitting the most vulnerable in the borough many of which are Halton Housing Trust Customers. In 2113/14 with the potential/likely ending of the Council Tax Freeze Grant from central government the council may consider an across the board increase in Council Tax charges to ensure that those with higher income make additional contribution. If possible this may be combined with increased differential in charges between the Council Tax bands to reflect income</p>

claimants who have historically not made council tax payments. Added to this there may be additional difficulties in the process of paying the proposed charge as many may not have bank accounts with the option to pay via direct debit. This will leave them having to pay using other methods which will add further inconvenience and require additional budgetary skills. There is also concern over the collection and recovery procedures especially the use of liability orders /bailiffs with their associated fees and the stressful impact on the potentially vulnerable. A resident may have an initial small amount of council tax arrears however the costs of collection which will be recharged to the customer may be considered excessive and massively increase the balance owed far outweighing the original debt.

differentials .This may be fairer as it would mean that those with additional income and potentially the ability to pay make their contribution. Additional options would be to lobby central government for changes to the current regulations for example the removal or additional means testing of the single person discount. The council may also consider more direct charging for services that are not considered essential or higher charges on those services where there is a current charge The council may want to consider alternative changes to the council tax benefit scheme which could allow for a potentially more progressive local scheme rather than a flat rate charge to all these could include:

- Lowering the maximum level of savings below which a claimant can still apply, to focus support on those most in need.
- Increase in levels of non-dependant deductions from Council Tax especially for those on a higher income
- Adjust any tapers so that there are higher charges for those with additional income

To provide additional support to the most vulnerable claimants there could be consideration of the development of a discretionary Council Tax Benefit system (similar to DHP) for those most in need to apply for additional help. A further assistance would be for the council to lobby to be allowed to deduct the charges direct from benefits/UC without a liability order (or costs waived) for these on lowest income levels. There is also concern that the current collection and follow up action to chase missing payments will not work well with the change to UC. With monthly payments in arrears claimants are not going to be able to catch up before further charges may be added. The reduction in opening hours of the contact centre makes it more difficult to contact the council to discuss or arrange payments so there would be additional assistance with improved online query service so that help is easier to access. (Although there is concern about the access of the most vulnerable to electronic communication) Residents on income based benefits will be the most affected by this change and to minimise any potential financial hardship it would assist if there was an immediate DSSD

	request made once liability issued to avoid additional charges.
<p>REPRESENTATIVE OF HALTON HOUSING TRUST</p> <p>Long term benefit claimants entitled to full council tax benefit historically will not be used to having to pay towards their liability. They may not have bank accounts set up having always used Post Office accounts for benefit payments in order to pay via direct debit. The additional expenditure may cause severe hardship for many existing benefit claimants. If claimants do not or cannot pay their liability will this result in more liability orders being applied for which would increase the overall amount the claimant is already struggling to pay. Will the same collection and recovery process apply for claimants having to pay the % payment if they default ? Will bailiff action be used for collection of what will amount to relatively low balances ? The existing collection and recovery rate with the use of liability orders and bailiffs could be considered excessive when the amounts needing collection may be relatively low. Will an option for direct deductions from benefit be considered to avoid customers defaulting and them incurring liability order and bailiff charges and fees ?</p>	None
<p>REPRESENTATIVE OF LIVERPOOL HOUSING TRUST</p> <p>working age tenants in receipt of benefits and under-occupying their property will also have to pay the "bedroom tax" in many cases this will cause financial hardship. In particular, single people receiving JSA will find these extra charges unaffordable and will fall into arrears with their rent and/or Council Tax - based on our contact with tenants.</p>	<p>Could the Council look at reducing any of the exemptions it provides e.g. empty homes/homes undergoing major repairs or reducing the discount that is subsequently given to the property owner to provide a greater income (Council Tax) to the Council which in turn could reduce the amount of Council Tax that tenants etc would have to pay (who currently get CTB)</p>



Responses from Halton Residents

No.	Comments about proposed scheme	Alternative suggestions
1	I think it is a very good idea and agree with it 100%. I work full time, pay full rent and council tax and would love a luxury of a spare room, whilst people on benefits sit at home all day not wanting to work and rely on the working class and government to pay for them and I do not agree with people having properties they don't need i.e - a couple living in a 3/4 bedroom house when there is clearly no need for them to be, so yes I vote make them pay extra for their spare rooms or move them to smaller properties and let hard working people who pay full rent have a nicer home.	
2	Not great but under the circumstances with funding being cut by central government I don't think there is any alternative.	No
3	The reduction scheme will be a good idea on a whole but won't it just increase the council tax debt not increase the income for Halton.	
4	Asking current recipients of Council Tax Benefit to pay towards their Council Tax bill appears to be the fairest way of funding the new scheme. It is correct that residents of state pension age should be protected from any reductions in support. I certainly would not like to see the funding shortfall covered by further cuts in Halton Council services, particularly at a time when the Council's resources are being decimated by the Government. Nor would I think it fair to ask Council Tax payers to fund the shortfall. As Council Tax bills already help to fund support for those in receipt of Council Tax Benefit, Council Tax payers would effectively be paying twice. Local authorities have been given an extremely difficult balancing act by the Government and I think Halton's proposed scheme is a fair solution.	
5	I think that the scheme makes sense and it may discourage people from thinking they have a 'free-ride'	
6	I think this is a very good idea	
7	It's a great idea, the government are at last trying to do something about people who rely on handouts instead of working for a living. Yes, this may also affect people with disabilities etc and something should be done about this, but not most of the other groups. I am disgusted that our Council are trying to find ways around what will be a good policy.	I don't feel that an alternative is needed apart from anyone with severe disabilities ( not just someone who is signing on )
8	I think a contribution for all is fair, providing that you can means test it fairly and that you can actually get those on the lowest incomes to pay it at all.	No, I think a percentage reduction from all is the only fair way to do it.

9	It is the fairest scheme you could have come up with however I do think that pensioners should be included.	
10	I think that people should contribute to their council tax regardless of circumstance... on the proviso that people who currently pay the full amount with no benefit aren't penalised and their bills increased to cover those who are currently on benefits. It encourages those people to take responsibility for their income, despite where that may be from, like all working people have to do anyway.	
11	I strongly believe that if everyone paid some Council Tax then the need to penalise the needy would almost certainly be avoided. Why on earth EVERYONE cannot pay some Council tax is beyond me. The free renters, free council tax - got it bloody good	The Council could simple charge everyone some Council Tax!! Why should people who receive lots of benefits not be in a position to pay some Council tax????? They benefit from the services like everyone else and should therefore contribute to them.
12	It is right that the council or council tax-payers cannot be expected to meet the cost between government money and help for those on benefits. Having said the it will be difficult for low income claimants to meet these additional costs of council tax. This is clearly a further cut by government to reduce benefit payments but make local councils responsible for it.	No but should offer help through other council services to get people into work and off benefits
13	I should imagine that very few council taxpayers fully understand the level of support the council makes to benefit claimants. In conversation with various people it is obvious that most people are under the impression that the government fully implement the scheme and it is merely administered by the council. I think the level of support is far too high and as a council taxpayer I feel it is not my responsibility to support claimants. I pay sufficient tax for this. I think the council should stop ring fencing this area and make every effort to reduce its support for the scheme.	It should look to reduce its contribution to the scheme over a 5 year period. It should also seek to engage the Halton residents in fully explaining how the scheme works, what it costs in total and what it costs each council taxpayer.
14	I think it is fair that all residents of Halton should contribute to council tax after all they are receiving the same services as those who pay full council tax. Maybe not relying on the benefits culture could encourage them to stop having children that the state has to finance and earn their living by paid employment.	no

15	<p>Money has to be found to pay for amenities, money has to be found to pay council workers wages, money has to be paid to pay councillors. It has to be found from somewhere!!! If not, we have no amenities, no council workers and no councillors. It is our town and we must pay, even though I think Runcorn has been neglected in the "Halton" partnership. It is about time the government stopped subsidising all the crazy councils in the UK.</p>	<p>A fair system needs to be put into place. Everyone needs to pay something towards our amenities. Doctors need to start thinking about what they are doing when they certify people sick, who are malingerers. Genuinely sick or needy people should receive a reduction. Tighten up on the benefit cheats, we all know plenty who seem to think it is good to get away with it.</p>
16	<p>I believe that the council has very little choice but to impose an across the board reduction in the level of Council tax Benefit paid to claimants under pensionable age. I also believe that this reduction in central Government Grant Aid must not be used as an excuse to further cut back on the level of services offered to Halton residents. The level of reduction must be met by increased collection from people in receipt of CTB.</p>	<p>Yes. Increase CT to the maximum level allowed before it adversely effects Central Govt grant aid and also before you are required to call a referendum</p>
17	<p>It sounds ok but the government says the amount you are awarded is just enough to live on and now you are talking about taking 20% ?+ off them as well which they will pay and will either cut down on food or heating so it will put other costs NHS etc up. We have cut down as much as possible and something has to give bills etc. There are NO jobs in this area unless you come from another country as immigrants are given preference over British people.</p>	<p>Reduce Councillors payments. When companies come to Halton make them employ local people not foreigners who have moved in the area. Hit drug addicts, alcoholics who are abusing the system. Build smaller properties people can down grade to. Check rateable value is not over priced for areas. Are the services we pay for overpriced? Charge everyone a £1 per week and everyone pays.</p>

18	It seems about as fair as it could be in the circumstances. However, being a pensioner it will not impact on me.	The Council could begin by publishing the existing collection and use of Council Tax in a more transparent way. That would give us the data on which to base comments. A detailed breakdown of the collection and spending of Council Tax should be available online for the past 5 years, updated dynamically every week.
19	The new scheme makes Council Tax self-contained and avoids the cross-subsidy created by central government contributing to Council Tax through the existing benefit arrangements. Local authorities raise and spend Council Tax, so logically they should also operate and finance any benefit or reduction scheme, especially if it is means-tested, age-related or tested in any other way.	Councils are political organisations run on party lines. Any scheme must avoid the opportunity for councils, especially one-party or nearly one-party councils, to design council tax reduction schemes to preferentially benefit areas of their community most likely to vote for the party currently in power in the local government. Otherwise any benefit or reduction becomes equivalent to buying votes.

20	Take all circumstances into account, as everybody's outgoings and incomes are different. Make rules open and that everyone knows them so there is less misunderstandings.	Realize that people who have been made disabled not of any fault of their own who only get the basic from incapacity as they can't work, but owned their own home before becoming disabled and there is only one working person in the home. You should take in account that they still have a mortgage to pay because at the moment you just add up all coming money and nothing that has to be paid out i.e., mortgage's, so homes are not getting repossessed don't end up on the street with your family.
21	That the scheme should go ahead with payments being taken from those with the group identified. Those paying full Council Tax should not see increases to avoid this group paying.	NO.
22	The government have left local authorities with no choice but to find savings and unfortunately people will have to suffer in their pockets to achieve the savings. It would seem unfair to increase council tax for all the residents of Halton to find the shortfall and seems fair to ask the people who already have help paying there council tax to contribute towards the savings.	
23	The new scheme looks fair because it will affect everyone and doesn't single anyone out and you claim the same way as now, so it won't confuse people when it comes to claiming. But some people are going to be affected by a number of changes which are happening in April 2013 and they will struggle to pay the new shortfalls, whether they have to pay council tax or the new room tax which they haven't had to pay before.	No it's for the council to decide the best possible way to save money without causing hardship to the Halton people who don't have jobs or on low incomes

24	Unfortunately I think that the scheme is wrong! Pensioners should not benefit from living alone in a 3 bed/4 bedroom property! They have chosen to live there and not move since their children have grown up and left the property and (I know someone whom this should affect) has not worked a day in their life, full CTB/HB free prescriptions, dental you name it and now that they have turned of age to receive their state pension (that they have not paid into the system for!)and now disregarded from the NEW CTB. Very wrong!	There should be no concessions, it should be blanket reform. Everyone is to be effected. if they choose to live in a property with more rooms than they need
25	The poor being kicked in the teeth again!! This on top of my housing benefit being cut next January is seriously stressing me out!! what am I going to do when you come knocking on my door to evict me because I'm in debt up to my eyeballs and have no way of paying you the money you've taken away from me?? ...or I could just STARVE myself and use my food money to make up the difference I suppose!!!	Divert money from non-essential things to help us out. Minor road repairs, minor house repairs, things like that!! Halton is going to be overrun with homeless and destitute people soon!!!
26	This is just a tax on the poorest and more vulnerable people in society.	If it isn't broke don't change it, what is wrong with the current method.
27	I think the Government has imposed an unfair cut on the Council. It not a cut of 10% because people of pensionable age are not included in the cut. The only thing the Council can do is spread the cut amongst the rest of the people who claim Council Tax Benefit, therefore the actual cut will be near 22%!	There is no alternative way as there is no change to anybody claiming who is of a pensionable age!
28	It is totally unfair that people on the lowest end of the benefit income scale are going to have to pay and the council won't get any money in off those on loads of benefits they will just plead poverty as usual.	
29	As per usual, people who pay taxes, etc are constantly hi for more and more, in this currently climate where incomes are frozen or reducing and everything is going up every week, what do the government want, everyone to be living in tents.	Reduce the number of council vehicles especially the ones you see in people drive ways over weekends and when they are on holiday. These vehicles could be used by other Halton employees instead of redundant during these periods.

30	It's ridiculous	Reduce costs and become more efficient - pay councillors and exec officers a lot less
31	I believe the whole system is flawed as not every case is identical. Whilst I agree that some pensioners should be protected, so should the disabled and carers. You will find that some pensioners are lot healthier and wealthier than some disabled residents and yet the disabled will be penalised with what amounts to a tax on sickness	Ensure that each individual claim is assessed and means tested fairly
32	I think it's an attack on the working classes, which along with the "bedroom tax" will totally impoverish vast swathes of ordinary people, unemployed, disabled or the working poor. The blame lies at the governments door but as local councils have to implement the policy they will receive the criticism, and will probably experience higher levels of arrears based on the fact that if people really don't have the money they can't pay it! I predict a huge rise in people going to prison for non-payment of council tax and I may be one of them!!	
33	I think that it will be very difficult for anyone on any kind of benefit to be able to pay towards their council tax given that many benefits are and have been cut. It is also fair to say that many residents have never paid towards council tax as they have always been on benefit and this will hit them really hard. Some vulnerable people will not understand why they now have to pay. I understand that something must be done and that some people would like to or continue to pay a small amount pay but the percentage is too high.	Perhaps use recycling points towards a reduction, that way more people may recycle.
34	I think this will cause extreme hardship, especially among low paid workers and their families. At a time of recession, I feel sure that there are other areas where these savings could be made.	HBC should look at reducing the number of admin staff employed as this is a very inefficient way of working. Also there are too many managers in too many departments earning way above their capability levels.
35	I really do not think there should be any change to the current situation. However, it infuriates me that certain members of the public are allowed to "get away" with not paying Council Tax and are allowed to run up unpaid Taxes.	Why not leave things as they are.
36	DONT AGREE WITH GOVERNMENT CUTS TO FUNDING TO THE COUNCIL FOR COUNCIL TAX BENEFIT	GOVERNMENT SHOULD INCREASE FUNDING