

Borough Council of
**King's Lynn &
West Norfolk**



SPECIAL CABINET

Agenda

**TUESDAY, 21 AUGUST 2012
at 5.30pm**

in the

**Committee Suite
King's Court
Chapel Street
King's Lynn**



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Borough Council of
**King's Lynn &
West Norfolk**



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SPECIAL CABINET AGENDA

DATE: CABINET – TUESDAY, 21 AUGUST 2012

VENUE: COMMITTEE SUITE, KING'S COURT, CHAPEL STREET, KING'S LYNN

TIME: 5.30 pm

1. APOLOGIES

To receive apologies for absence.

2. URGENT BUSINESS

To consider any business, which by reason of special circumstances, the Chairman proposes to accept, under Section 100(b)(4)(b) of the Local Government Act 1972.

3. DECLARATION OF INTEREST

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on an item or simply observing the meeting from the public seating area.

4. **CHAIRMAN'S CORRESPONDENCE**

To receive any Chairman's correspondence.

5. **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

To note the names of any Councillors who wish to address the meeting under Standing Order 34.

6. **MATTERS REFERRED TO CABINET FROM OTHER COUNCIL BODIES**

To receive any comments and recommendations from other Council bodies which meet after the dispatch of this agenda. Copies of any comments made will be circulated as soon as they are available.

- Resources and Performance Panel – 16 August 2012

7. **REPORT**

Local Support for Council Tax Scheme (page 1)

From April 2013 the Government are abolishing the national scheme of Council Tax and replacing it with provision for locally devised schemes for Council Tax Support. The report sets out a scheme to be agreed in principle for consultation purposes.

To: Members of the Cabinet
Councillors N J Daubney (Chairman), A Beales, Lord Howard,
A Lawrence, B Long, Mrs E A Nockolds, D Pope and Mrs V Spikings.

Cabinet Scrutiny Committee

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REPORT TO CABINET

Open/Exempt		Would any decisions proposed :		
Any especially affected Wards	Mandatory/	(a) Be entirely within Cabinet's powers to decide YES/NO		
	Discretionary/	(b) Need to be recommendations to Council YES/NO		
	Operational	(c) Be partly for recommendations to Council YES/NO and partly within Cabinets powers –		
Lead Member: Cllr Nick Daubney E-mail: cllr.nick.daubney@west-norfolk.gov.uk		Other Cabinet Members consulted: All		
Lead Officer: Joanne Stanton, Revenues and Benefits Manager E-mail: joanne.stanton@west-norfolk.gov.uk Direct Dial:01553 616349		Other Members consulted: R&P Panel		
Other Officers consulted: Ray Harding David Thomason				
Financial Implications YES/NO	Policy/Personnel Implications YES/NO	Statutory Implications YES/NO	Equal Impact Assessment YES/NO If YES: Pre-screening/ Full Assessment	Risk Management Implications YES/NO

Date of meeting: 21 August 2012

LOCAL SUPPORT FOR COUNCIL TAX SCHEME

Summary

From April 2013 the Government are abolishing the national scheme of Council Tax Benefit and replacing it with provision for locally devised schemes for Council Tax Support (LSCT).

Billing Authorities must each devise their own scheme to assist residents in their area on low incomes with the cost of their Council Tax. Funding will still be provided by Central Government but only at 90 per cent of current expenditure on Council Tax Benefit so Billing Authorities must decide how to manage this reduction in income and distribute the funds available between its residents. The Government have also set certain other parameters around the scheme to be taken into consideration.

Local schemes for Council Tax Support for Year 1 (2013/2014) must be agreed by Members and be in place by 31 January 2013. The Council must consult on a draft LSCT Scheme before deciding the final LSCT Scheme.

The purpose of this report is to seek approval to consult on a draft Scheme. Confirmation of the Local Council Tax Support Scheme will be subject to a further

report and will require Council approval.

Recommendations – Members are asked to:

- 1. Note the principles of the LSCT scheme including automatic protection for Pension Age people**
- 2. Agree the following principles for the draft LSCT scheme for Year 1 for public consultation:**
 - a. An LSCT scheme that falls within the revised funding allocated by DCLG (Para 4.10)**
 - b. Protection from any reduction under LSCT for Households with a Child under 5 and War Pensioners (Para 6.9)**
 - c. A Hardship Fund being set up funded from additional income raised through Council Tax Technical Reforms (Para 6.9)**
 - d. A Work Incentive which allows an additional £10 earnings disregard per week (Para 10.6)**
- 3. Agree Model B as the draft LSCT Scheme for Year 1 to take to public consultation (Para 9.5)**
- 4. Approve an eight week consultation period (Para 12.5)**

Reason for Decision

The Council must agree and publish a draft LSCT scheme for consultation before agreeing its final LSCT scheme. This paper lays out the options available for a draft LSCT Scheme, the funding implications and other relevant information for agreement by Members so consultation can proceed.

Following consultation the responses and proposals for the final LSCT Scheme for Year 1 will be the subject of a further paper for Members.

1. INTRODUCTION TO LOCALISED SUPPORT FOR COUNCIL TAX (LSCT)

1.1 Current position

- 1.1.1. People in receipt of welfare benefits and those on low incomes can receive help with their Council Tax bill through Council Tax Benefit (CTB). CTB is a national scheme administered locally by Local Authorities on behalf of the Department for Work and Pensions (DWP), its means tested and eligibility rules are common throughout England.
- 1.1.2. The cost of CTB is funded by Central Government through Benefit Subsidy from the DWP. In 2011/2012 the Borough Council of King's Lynn & West Norfolk received £11,193,120 in Benefit Subsidy for its 13,550 CTB claims. Not all CTB expenditure is fully subsidised as some is locally funded discretionary expenditure (such as support for War Pensioners) and in 2011/2012 the Council met an additional £10,838 towards the cost of CTB.
- 1.1.3. An analysis of the current CTB Caseload is included at Appendix A.
- 1.1.4. Generally, people of working age claiming means-tested benefits (Employment and Support Allowance, Income Support and Jobseekers Allowance) receive full assistance with their Council Tax. Those on a low income in work still receive help but generally for less than the full amount. Pensioners on Guaranteed Pension Credit receive full help and those on other low incomes can also qualify.

1.2. Proposals

- 1.2.1. The Welfare Reform Act 2012 legislates for the abolition of CTB on 1 April 2013. The Local Government Finance Bill (which is yet to receive Royal Assent at the time of writing) introduces a replacement in the form of Local Support for Council Tax (LSCT). Each Billing Authority must design a LSCT Scheme and will receive a fixed grant from Government to replace CTB Subsidy from the DWP.
- 1.2.2. To realise £500 million of savings on the national Welfare Bill the grant for LSCT will be set at 90 per cent of estimated CTB expenditure for 2013/2014 and will be paid by the Department for Communities and Local Government (DCLG) rather than the DWP. Councils will have to decide how to manage the reduction in their funding whilst continuing to support those on low incomes with their Council Tax costs.
- 1.2.3. LSCT applies to Working Age claims only. The Government have stated Pension Age claims are unaffected and will see no change in their level of support.

1.2.4. The Government has set broad parameters for the LSCT Scheme:

- Support for pensioners remains the same as under the current CTB scheme
- Other vulnerable groups should be protected, including families with children
- Incentives to work should be promoted in line with the aims of Universal Credit
- Funding from central Government will reduce by 10 per cent but local authorities are free to decide to what extent this reduction is applied to funding for the new LSCT Scheme

1.2.5 Localisation of Council Tax support is also part of a wider set of reforms of the welfare system and should reflect the Government's aims to support people into work:

- Improving the incentives to work, and
- Ensuring resources are used more effectively,
- So reducing worklessness, and
- Ending a culture of benefit dependency

1.2.6 The Council will also aim to simplify some areas of the current scheme of CTB wherever possible when designing the new LSCT Scheme to improve clarity for customers and staff.

1.2.7 Details of the provisional funding position for LSCT are shown at Section 3.

1.3 Consultation

1.3.1 The Council must take the following steps before finalising the LSCT Scheme:

- Consult with Major Precepting Authorities, then
- Publish a draft scheme, then
- Consult with other people likely to have an interest in the scheme

1.3.2 A draft LSCT scheme must be selected for consultation. Three potential models for a scheme are shown at Section 9.

1.4 Timetable

1.4.1 The timescales are extremely challenging and the timetable for implementation of LSCT is shown below:

DCLG consultation	October 2011
DCLG response to consultation responses	December 2011
DCLG Policy Statements of Intent	May 2012
Potential Scheme modelling	June / July 2012
DCLG Draft Regulations	July 2012
Provisional Grant allocations published	July 2012
Consultation with Major Preceptors	July 2012
Equalities Impact Assessment	July / August 2012
Cabinet Report deadline	3 August 2012
Cabinet for approval of Draft Scheme for consultation	21 August 2012
Consultation with affected groups (8 weeks)	August 2012 – October 2012
Actual Grant allocations published	October 2012
Cabinet for consultation responses and approval	30 October 2012
Local Government Finance Bill Royal Assent	October 2012
Regulations laid	November 2012?
Full Council for final approval	29 November 2012
Deadline for LSCT Scheme to be in place	31 January 2013

1.4.2 Failure to develop and implement a LSCT Scheme will mean DCLG's Default Scheme will apply. The Default Scheme mirrors the CTB Scheme with the same level of expenditure. Councils subject to the Default Scheme will have to plan to deal with the shortfall in funding.

2 THE CURRENT SCHEME OF COUNCIL TAX BENEFIT

- 2.1 CTB is a means tested benefit comparing a household's weekly income against the level the Government states that household needs to live on, known as the Applicable Amount. The Applicable Amount is made up of Personal Allowances for the household Members and Premiums to reflect any special circumstances, for example a disabled member of the household. Details of the Applicable Amounts and Premiums for 2013/2013 are shown at Appendix G.
- 2.2 If the household income is less than the Applicable Amount full CTB is awarded reducing the weekly Council Tax liability to nil. If the household income is more than the Applicable Amount the CTB award reduces by 20p for every £1 of excess income.
- 2.3 There are a number of regulations defining eligibility, income and evidence and a summary of the current scheme of CTB is included at Appendix C.

3 FUNDING FOR LOCAL SUPPORT FOR COUNCIL TAX

- 3.1 In 2011/2012 the Borough Council of King's Lynn & West Norfolk paid £11,203,958 in CTB to its 13,550 claimants and received £11,193,120 in CTB Subsidy. The remaining balance of £10,838 was met by the Council as it related to discretionary expenditure only part funded by Benefit Subsidy.
- 3.2 LSCT will be funded differently to CTB. Currently the Council claims a Subsidy payment from the DWP at the end of the financial year for actual expenditure on CTB. For LSCT the DCLG will make an unringfenced fixed grant to the Council at the start of the financial year.
- 3.3 Funding for LSCT will be fixed but not ringfenced and will be identifiable as a separate grant for 2013/2014 and 2014/2015. From 2015/2016 funding for LSCT will not be identified separately and will form part of the monies awarded to local authorities by Central Government including income from Business Rates Retention and the New Homes Bonus.
- 3.4 The current scheme of CTB is a benefit scheme where the amount of benefit due is transferred from the benefit system to the Council Tax system and funded in full through CTB Subsidy. LSCT becomes a discount scheme and is administered as a Council Tax discount. As with all other Council Tax discounts it will affect the Council Taxbase and the funding from DCLG will be used to balance this effect.
- 3.5 **To support the Government's principles of Welfare Reform and to deliver savings on the national Welfare bill the fixed funding for LSCT will be approximately 10 per cent less than our estimated CTB Subsidy for 2013/2014.**
- 3.6 Provisional grant allocations have been published and Council has been allocated £1,122,670 (10.03%) less for LSCT than we would have spent on CTB. As Pension Age claimants are protected and will continue to receive the same level of support the shortfall must be made up by Working Age claimants. Including the £10,838 of CTB not covered by Subsidy brings the reduction required to **£1,133,508**.
- 3.7 Pension Age claims account for 54 per cent of the caseload so the cut required moves from 10 per cent and becomes over 23 per cent for Working Age customers.

Total CTB Claims	13,550	
Pension Age CTB Claims	7,297	54%
Working Age CTB Claims	6,253	46%

- 3.8 A full analysis of the Pension Age and Working Age caseload figures is shown at Appendix A.

3.9 **After protecting Pension Age claims and accounting for the CTB not met through Subsidy the Council has a balance of £3,776,819 to spend on LSCT for Working Age claimants – a reduction of 23%**

3.10 An analysis of the impact of the reduced budget is shown at Appendix B.

4 OPTIONS FOR MANAGING THE FUNDING REDUCTION

4.1 Funding for the new LSCT will be made on the basis of 90 per cent of current expenditure on CTB. The Council will have to manage this shortfall in funding and there are a number of options for doing so:

- Choose not to reduce spend on LSCT but subsidise the shortfall from within existing resources. The shortfall will be spread over the Precepting Authorities in proportion to their Council Tax precept (as shown at 4.2) and Norfolk County Council and Norfolk Police Authority have indicated this is not an option they are prepared to explore
- Develop a LSCT scheme that falls within the new budget meaning less Working Age people are eligible for support or that all Working Age people are eligible for less support
- Contribute to the shortfall from other funding streams, e.g. from extra income from Council Tax Technical Reforms
- Charge a higher Council Tax for everyone else (an extra £22.11 a year or 42p a week on the average Band D), but be aware that any increase above 3.5 per cent will trigger a referendum or
- A mix of the above

4.2 The risk of any loss in income due to the reduction in funding is borne across all the Major Precepting Authorities in the same proportion as the Council Tax is levied:

Preceptor	Risk	Value
Norfolk County Council	77%	£872,801
Norfolk Police Authority	13%	£147,356
Borough Council of King's Lynn & W Norfolk	10%*	£113,351
Total Reduction		£1,133,508

*Borough Council of King's Lynn & West Norfolk = 7%, Parishes = 3%

4.3 Due to this distribution of risk the Council must consult its Major Preceptors before publishing a draft scheme. Norfolk County Council and Norfolk Police Authority have provisionally advised they will accept our LSCT scheme as long as it falls within the new funding allocation and are not prepared to contribute towards any shortfall. **If the Council wishes to maintain Council Tax support at its current level it will have to fund the full £1.13 million shortfall from within its own resources.**

- 4.4 Councils are free to top up funding for LSCT from other income streams. The Council has already borne a 24 per cent cut in grants over the past three years and are now bearing a further cut in income. The recommendation is not to make up any shortfall in funding from other income but to implement a Scheme within budget that also supports claimants back into work.
- 4.5 The detailed options for developing a LSCT Scheme are discussed at Sections 7, 8 and 9.
- 4.6 As the Borough Council are responsible for creating the LSCT scheme the full costs and risks are taken into account in this report.
- 4.7 Options will be examined on how to contribute to the costs of work incentives from additional income raised through the Council Tax Technical Reforms. More details on Work Incentives are in Section 10. A Hardship Fund is recommended in Section 6 and will also be funded from income realised through the implementation of the new flexibilities proposed by the Government in relation to Technical changes to Council Tax.

4.8 Recommendation: Members agree to a LSCT scheme that falls within the revised funding allocated by DCLG.

5 DEVELOPING THE LOCAL SUPPORT FOR COUNCIL TAX SCHEME

- 5.1 Developing a LSCT Scheme in the timescales available is challenging. There is not enough time available in the budget setting cycle for the Year 1 (2013/2014) scheme to consider a fundamental change to the way support for Council Tax is addressed. A LSCT Scheme can be revised annually giving scope for a more fundamental review for a Year 2 (2014/2015) scheme.
- 5.2 The options developed within this report are therefore based on retaining the current scheme of CTB as the new LSCT Scheme for Year 1 with amendments to certain parameters of the scheme to address the new funding limits and the general desire to incentivise work. Unless specified otherwise within the Options and subsequent Policy LSCT will adopt the same Regulations as CTB.
- Section 6 details the groups that are protected from a reduction in Council Tax support
 - Section 7 explores the individual changes that can be made to the current scheme of CTB and outlines the potential savings
 - Section 8 details some minor amendments to the current scheme of CTB that are proposed for the new LSCT to simplify the scheme

- Section 9 draws the changes together into Models
- Section 10 looks at incentives for people to return to work

6 EQUALITIES, VULNERABLE GROUPS AND GROUPS TO BE PROTECTED

- 6.1 When designing the LSCT Scheme the Council must take into account the effect of the new scheme on vulnerable groups. Councils already have clearly defined responsibilities in relation to vulnerable groups including responsibilities under:
- The Child Poverty Act 2010
 - The Disabled Persons (Services, Consultation and Representation) Act 1986
 - The Chronically Sick and Disabled Persons Act 1970
 - The Housing Act 1996 (prevention of Homelessness)
- 6.2 Councils also need to comply with the public sector equality duty in section 149 of the Equality Act 2010 and ensure they meet their equality duties for all residents.
- 6.3 There is no definition of a ‘vulnerable group’ for LSCT but local authorities must have due regard to their equality duty and duty to mitigate of the effects of Child Poverty and the prevention of homelessness.
- 6.4 Protections already exist within the current CTB Scheme for vulnerable groups, including additional Premiums for those with disabilities and the disregard of Disability Living Allowance when calculating income. There are no recommendations to change the treatment of any disability related income or premium in the LSCT Scheme.
- 6.5 A draft Equality Impact Analysis has been completed in conjunction with the Council’s Equalities Group and is included at Appendix D.
- 6.6 The groups recommended for protection under the LSCT scheme are:

6.6.1 Pension Age Claimants

Government have prescribed that the level of support given to Pension Age claimants will remain the same. No pensioner will be worse off as a result of the abolition of the CTB scheme and the introduction of LSCT so pensioners are protected by default.

6.6.2 Households with at least one child under the age of 5

Members are asked to agree that any reduction to the level of support under LSCT will not apply to any household where there is at least one child under 5. One of the principles of the Government's welfare reform is to encourage people to increase their income through work. In line with the Government's Universal Credit rules it is more reasonable to expect people to find work or work more once their children reach school age.

6.6.3 War Pensioners

Members are asked to agree that War Pensions will continue to be disregarded in full when calculating income for LSCT.

6.7 There are no proposals to treat the circumstances of a person receiving Disability Benefits any differently under LSCT compared to CTB. All rates of Disability Living Allowance for Care and Mobility will continue to be disregarded when calculating income and the additional Premiums for those with special circumstances will remain unchanged from CTB. However these groups will be included in any overall change and will be affected in the same way as all other claimants.

6.8 A Hardship Fund is recommended to assist any person experiencing difficulties as a result of the change from CTB to LSCT and can be used to assist any vulnerable person who needs extra help. The Hardship Fund will be funded by additional income raised through the new flexibilities with Council Tax Technical Reform.

6.9 Recommendations:

- **Members are asked to agree that Households with at least one Child under 5, and War Pensioners are protected groups for the LSCT Scheme**
- **Members are asked to agree to a Hardship Fund being set up funded from additional income raised through Council Tax Technical Reforms**

7 INDIVIDUAL OPTIONS FOR CHANGE

7.1 The options listed below are the main areas where the existing CTB Scheme can be updated to create a LSCT Scheme that falls within the available budget. The potential savings are quoted in isolation and must be viewed in conjunction with Section 9 exploring these options combined into models. The combined savings will be lower than the individual totals as certain groups may be adversely affected by more than one change.

7.1.1 Child Benefit and Child Maintenance included as income

What happens now?

Since October 2009 money received for Child Benefit and income from maintenance payments received for children has been ignored when working out a claimant's income. Before this date this money was included in full as income. The weekly rates of Child Benefit are £20.30 for the first child and £13.40 for subsequent children.

What is the proposed change?

All money received for Child Benefit and maintenance for children is included as part of household income.

How much does this save?

£290,350

What is the impact of the change?

This change will only apply to households where the child is over five who could see their Council Tax bill increase. Households with at least one child under five are excluded from this change supporting the Council's anti-Child Poverty duty.

7.1.2 Make a £10 deduction for all non-dependents

What happens now?

If there are non-dependent residents in a property deductions are made from the Taxpayer's weekly CTB entitlement based on the income of each non-dependent. There are six bands of deduction increasing as income increases and these are shown at Appendix E.

What are the possible changes?

A one rate deduction of £10 a week is made for each non-dependent in the household regardless of their income.

How much does this save?

£24,300

What are the impacts of the changes?

Everyone over 18 living in the property is expected to contribute £10 a week towards the Council Tax bill. This also simplifies the scheme.

7.1.3 Set the limit for Capital to £6,000

What happens now?

A claimant and their partner can hold a maximum of £16,000 in capital before they no longer qualify for CTB. In general capital held over £6,000 generates a 'tariff income'. Tariff income is assumed income from interest and is calculated as income of £1 for every £250 of capital held over £6,000. The cut off level for

capital in the current CTB Scheme and in Universal Credit is £16,000.

What are the possible changes?

A Taxpayer and their partner can hold a maximum of £6,000 in capital before they no longer qualify for LSCT. There is no tariff income.

How much does this save?

£46,900

What is the impact of the change?

A Taxpayer with capital up to £6,000 would qualify for LSCT and there would be no income assumed from interest. Once the £6,000 limit is reached LSCT would stop completely. Taxpayers with £6,000 or more in capital would be expected to use this to pay their Council Tax liability.

7.1.4 Set a cap on the maximum amount of benefit awarded

What happens now?

The maximum amount of CTB that can be awarded is 100% of the weekly Council Tax liability. There is no cap regardless of the Council Tax band the property is in.

What are the possible changes?

There are multiple options to apply a cap on the maximum amount of LSCT:

- Limit the amount LSCT will cover to a specific Council Tax band e.g. Band B
- Limit the maximum percentage of the LSCT award for all Taxpayers e.g. to 75% of actual entitlement
- Limit the maximum percentage of the LSCT award for non-working Taxpayers e.g. 90% of actual entitlement

How much does this save?

- | | |
|-------------------------------------|------------|
| • Maximum Band B | £123,700 |
| • Maximum 75% award for all | £1,028,989 |
| • Maximum 90% award for non-working | £191,800 |

What are the impacts of the changes?

These changes produce the highest level of savings but affect the most groups. A limit to the award for all Taxpayers distributes the available budget between the most people but means collecting small amounts of Council Tax from everyone. The average Band A Council Tax is £19.19 a week so a reduction of 25 per cent to someone entitled to full help would mean they would have to pay £4.79 a week Council Tax. A limit on the Council Tax Band would have to be at a low band as 89% of Taxpayers receiving CTB are in a Band A or B.

Limiting the award for non-working Taxpayers encourages work incentives but penalises those who are receiving benefits as they are not working. Distributing the available funding across the most people but setting a maximum award for all means those who are less well-off pay the least but does mean that most households of working age will need to pay something towards their Council Tax.

7.1.5 Change the rate at which excess income reduces support

What happens now?

CTB is calculated by comparing the weekly allowance for the household against the household income. If income is less than the allowance full CTB is awarded. If income exceeds the allowance CTB is reduced by 20p for every £1 of excess income, known as the Taper Rate.

What are the possible changes?

Different Taper Rates can be applied for all Taxpayers or for working and non-working Taxpayers:

- Double the Taper Rate for all to 40%
- Leave the Taper Rate for working Taxpayers at 20% and increase the Taper Rate for non-working Taxpayers to 40%

How much does this save?

Doubling the Taper Rate to 40% for all	£215,900
Having a 20% working, 40% not working Taper Rate	£36,800

What are the impacts of the changes?

76 per cent of claims do not have any excess income so changing the Taper Rate does not produce a high level of savings. 1,196 of the 1,605 claimants with excess income are already working so this would be a disincentive to earn more and hits working claimants too hard. Work Incentives are explored at Section 10.

Introducing a different level of Taper Rate for working and non-working claimants produces some savings and is an incentive to work. However it adds complexity to the scheme and would only apply to 409 people so does not produce significant savings.

7.2 A summary of the proposed changes and the maximum savings is shown below:

Change	Saving
Include Child Benefit and Child Maintenance as income	£290,350
Make a £10 deduction for all non-dependents	£24,300
Set the limit for capital to £6,000	£46,900
Maximum 75% award for all	£1,028,989
Total	£1,390,539

8 MINOR CHANGES FOR SIMPLIFICATION

8.1 The following are minor changes to some areas of the existing CTB Scheme to be incorporated into the new LSCT Scheme for the purpose of simplification:

8.1.1 No Second Adult Rebate

What happens now?

A percentage reduction is given to single Taxpayers who have one or more non-dependent residents in the property to offset the loss of the single resident discount. The reduction is based on the income of the non-dependent(s) and does not consider the income of the Taxpayer.

What are the possible changes?

No discount is given for non-dependent adults living in the property.

How much does this save?

£3,750

What is the impact of the change?

Second Adult Rebate is a little used reduction with few qualifiers. Removing it means there would be no deduction for additional people in the household on a low income. This will affect 278 claimants but will simplify the LSCT scheme.

8.1.2 Income for the Self Employed

What happens now?

The net profit from self-employment is included as income for CTB. If the net profit is nil or there is a loss then no income from self-employment is included.

What are the possible changes?

Where the net profit from self-employment is less than the minimum wage for the hours worked an income of the hourly minimum wage times the hours worked will be used.

How much does this save?

£5,000 (est)

What are the impacts of the changes?

There is little financial impact but the change prevents any advantage being taken of the LSCT scheme by assuming self-employed Taxpayers generate enough income to meet their basic living expenses.

8.2 A summary of the proposed minor changes and the maximum savings is shown below:

Change	Saving
No Second Adult Rebate	£3,750
Income for the Self Employed	£5,000
Total	£8,750

9 ANALYSIS OF CHANGES DRAWN TOGETHER INTO MODELS

9.1 The following three models show the individual options at Sections 7 and 8 drawn together into Model schemes and include an estimate of the combined savings. Work Incentives are recommended for separate funding so are excluded from the calculations in this section. More information on Work Incentives is in Section 10. Appendix F shows the average weekly Council Tax by Band.

9.2 **Model A - Principle:** All of those who have more income receive less Council Tax support. Children under 5 are protected.

The current scheme of CTB with the following amendments:	
➤ Pensioners are protected	
➤ Households with a child under 5 are protected	
➤ Child Benefit and Child Maintenance are included as income	
➤ Second Adult Rebate is removed	
➤ A deduction for each non-dependent of £10 is made regardless of their income	
➤ The maximum amount of Capital allowed is £6,000	
➤ No Tariff Income is assumed for capital under £6,000	
➤ Self Employed people are assumed to have an income of at least the minimum wage	
➤ A Taper Rate of 40% is applied to all excess income including earnings	

Financial Impact

Working Age claims – cost before	£4,910,327
Working Age claims – cost after	£4,373,178
Saving	£537,149
Budget Available	£3,776,819
Deficit / (Surplus)	£596,359

People affected

Total people affected		1,611
Of which:		
Weekly support reduced by:	Between £0 and £5	716
	Between £5 and £10	524
	Between £10 and £15	242
	Over £15	129
No entitlement to support		611
Total in protected groups		505
Affected groups	Single	597
	Lone parent	589
	Couples	149
	Families	276

Analysis

For	Against
Simplifies the CTB Scheme	Penalises people with additional earnings who account for 75% of the people with excess income
Only reduces support for those who have more income and are likely to be more able to pay	Acts a disincentive to work and increase income
Affects the least people	Does not come within budget

Vulnerability

Duty	Impact
Child Poverty	Households with at least one child under 5 are protected but households with children aged 5 or over who have excess income will see a reduction in support.
Disabilities	Those who are disabled will continue to receive an additional premium as part of their Applicable Amount to reflect their higher cost of living. Those with excess income will still be subject to the increased Taper Rate along with all other people
Homelessness	The majority of people will see a cut of up to £10 a week. This is unlikely to be a cause of homelessness in itself but a Hardship Fund will be available for anyone in extreme need

9.3 **Model B - Principle:** An equal cut is made to everyone apart from those in a protected group.

The current scheme of CTB with the following amendments:	
➤	Pensioners are protected
➤	Households with a child under 5 are protected
➤	Child Benefit and Child Maintenance are included as income
➤	Second Adult Rebate is removed
➤	A Deduction for each non-dependent of £10 is made regardless of their income
➤	The maximum amount of Capital allowed is £6,000
➤	No Tariff Income is assumed for capital under £6,000
➤	Self Employed people are assumed to have an income of at least the minimum wage
➤	Maximum amount of support is 75% of entitlement compared to the existing CTB scheme

Financial Impact

Working Age claims – cost before	£4,910,327
Working Age claims – cost after	£3,598,415
Saving	£1,311,912
Budget Available	£3,776,819
Deficit / (Surplus)	(£140,008)

People affected

Total people affected		4,741
Of which:		
Weekly support reduced by:	Between £0 and £5	3,544
	Between £5 and £10	701
	Between £10 and £15	362
	Over £15	134
No entitlement to support		536
Total in protected groups		1,512
Affected groups	Single	2,302
	Lone parent	1,262
	Couples	523
	Families	654

Analysis

For	Against
Does not penalise one specific group	Creates a large number of small amounts to collect requiring more resource and potentially affecting the Council's income
Shares the available funding as widely as possible and across the most people	Affects the most number of people
Shares the impact of the reduction equally	
Can be combined with Work Incentives	
Straightforward	
Comes within budget with the option to finance a Contingency fund	

Vulnerability

Duty	Effect
Child Poverty	Households with at least one child under 5 are protected but all other households with children aged 5 or over will see a reduction in support
Disabilities	Those who are disabled will continue to receive an additional premium as part of their Applicable Amount to reflect their higher cost of living but will all see a cut in their support along with all other people
Homelessness	The cuts are spread over more people meaning each has to bear a smaller reduction. 75% of people will see a cut of less than £5 per week which is unlikely to be a cause of homelessness in itself. A Hardship Fund will be available.

9.4 **Model C - Principle:** Work incentives are supported by allowing working people to retain more of their income, support to non-working people on Passport benefits is reduced and more excess income is taken into account for non-working people than working people.

The current scheme of CTB with the following amendments:

- Pensioners are protected
- Households with a child under 5 are protected
- Child Benefit and Child Maintenance are included as income
- Second Adult Rebate is removed
- A Deduction for each non-dependent of £10 is made regardless of their income
- The maximum amount of Capital allowed is £6,000
- No Tariff Income for capital under £6,000
- Self Employed people are assumed to have an income of at least the minimum wage
- The first £20 of weekly earnings are disregarded
- The Taper Rate increases to 40% for non-working people but remains at 20% for working people
- People on Passported benefits only receive 90% of their entitlement compared to the current scheme of CTB

Financial Impact

Working Age claims – cost before	£4,910,327
Working Age claims – cost after	£4,350,302
Saving	£560,025
Budget Available	£3,776,819
Deficit / (Surplus)	£573,483

People affected

Total people affected		3,531
Of which:		
Weekly support reduced by:	Between £0 and £5	2,853
	Between £5 and £10	399
	Between £10 and £15	215
	Over £15	64
No entitlement to support		307
Total in protected groups		1,241
Affected groups	Single	1,518
	Lone parent	1,056
	Couples	408
	Families	549

Analysis

For	Against
Strongly incentivises work and discourages worklessness	If successful could increase the cost of the LSCT Scheme if more people move into lower paid work and continue to qualify for LSCT
	Does not come within budget

Vulnerability

Duty	Effect
Child Poverty	Households with a child under 5 are protected but all households on Passported benefits or excess income where there are children aged 5 or over will see a reduction in support
Disabilities	Those who are disabled will continue to receive an additional premium as part of their Applicable Amount to reflect their higher cost of living. This group are the most likely to have excess income due to the benefits they are entitled to so could be the most affected
Homelessness	The cuts are spread over more people meaning each has to bear a smaller reduction. 81% of people will see a cut of less than £5 per week which is unlikely to be a cause of homelessness in itself. A Hardship Fund will be available.

9.5 Recommendation – Members are asked to agree Model B as the option to take to public consultation

10 WORK INCENTIVES

- 10.1 One of the principles the Government wishes to see in a LSCT Scheme is the support of work incentives. In line with the principles of Universal Credit and the wider welfare reform agenda people should get more overall income in work than out of work and more overall income from working more and earning more.
- 10.2 Work incentives already exist within the CTB scheme. Someone out of work for more than six months qualifies for an additional four weeks of CTB at their existing rate when they start work. There is no recommendation to change this in the LSCT scheme. Some earnings are disregarded when calculating income as follows (rates are per week):

Single	£5
Couple	£10
Disabled or a Carer	£20
Lone Parent	£25

10.3 Those working over 30 hours a week and receiving Working Tax Credit also have the first £17.10 of any earnings disregarded.

10.4 Work Incentives within LSCT will be funded from income from Council Tax Technical reforms.

10.5 There are two options for incentivising work within the LSCT Scheme. One is to have a different Taper Rate for excess income (as discussed in Section 7) for people in work so they retain a higher proportion of their earnings than someone with excess income not from earnings. The second option is to allow working people to keep more of their earnings when calculating their income. The costs of the two options are shown below:

Work Incentive	Cost
20% Taper Rate out of work, 10% Taper Rate in work	£169,358
Allow an extra £10 earnings disregard (excluding the Working Tax Credit disregard)	£38,396

10.6 Recommendation: Members are asked to agree to a Work Incentive which allows an additional £10 disregard per week meaning the amount someone can earn before it is taken into account is:

Single	£15
Couple	£20
Disabled or a Carer	£30
Lone Parent	£35

11 FUTURE YEARS

11.1 The draft regulations state Councils must ratify their scheme each year and cannot make in year revisions to their LSCT Scheme. Councils are free to change their Schemes between years and may make transitional provisions for annual changes to the level of support.

11.2 The LSCT Scheme recommended at Section 9 will apply for Year 1. During 2013/2014 a more fundamental review of how support for Council Tax is given to those on low incomes in Year 2 and beyond will be conducted.

12 CONSULTATION PROCESS

- 12.1 The Local Government Finance bill states a Billing Authority must consult on its LSCT Scheme with any authority with the power to issue a precept to it, with all interested parties and any with affected group in its area.
- 12.2 Norfolk County Council and Norfolk Police Authority have both sat on the Norfolk-wide working group for LSCT and have also been individually approached. Both have indicated they will accept a LSCT Scheme that falls within budget.
- 12.3 Once the Draft Scheme is approved by Members it will be put to public consultation for eight weeks. An eight week consultation period is being recommended in order to meet the timetable for the budget setting process so consultation responses can be collated and fed back to before the final decision on the Scheme is made by the Council in November.
- 12.4 A Consultation Stakeholder Analysis has been drawn up and groups that are directly affected will be proactively contacted for their views. The Council's website will carry the draft scheme and an electronic consultation document which will be made available in paper copy where required. The Consultation period will run from the end of August to October and the proposed Consultation Document is shown at Appendix H.

12.5 Recommendation: Members are asked to approve an eight week consultation period

13 FINANCIAL IMPLICATIONS

- 13.1 The recommendation is to meet the costs of the LSCT Scheme within the funding provided by the Government. If the scheme is operated within the budget any surplus can either be set aside to provide for contingency reserves for future years or can be taken into general fund balances.
- 13.2 Increases in demand on the Scheme during the year may result in an overspend. This would have to be met by the Council and would be drawn from balances or reserves.
- 13.3 Failure to collect the additional amounts due will have an adverse effect on the Council's In Year Collection Rates. The additional amount to be collected in Council Tax as a result of the reduction in budget equates to 1.66 per cent of the overall Council Tax to be collected. The assumed collection rate used to calculate the Taxbase will be reviewed before the final budget for 2013/2014 is set.

13.4 A Hardship Fund is recommended to assist with any cases of severe Hardship or to mitigate the impact on vulnerable groups. The Fund will be financed from additional income raised through Council Tax Technical Reforms. Norfolk County Council and Norfolk Police Authority have indicated that if our LSCT Scheme falls under budget they may be willing to contribute towards a Hardship Fund.

14 RISKS

- 14.1 The funding of the scheme remains the responsibility of the Council and any changes in demand could represent a significant risk.
- 14.2 There is a risk that any local scheme will be subject to a legal challenge by equal rights groups. The draft Equality Impact Assessment (attached at Appendix D) will help to identify possible challenges and mitigate risks and will be updated once the consultation is complete.
- 14.3 As help with Council Tax is no longer a 'benefit' there is a risk take up will increase as some of the stigma is removed. This would place even more pressure on the limited funds available and any overspend would have to be met by the Council.
- 14.4 Every Billing Authority has to devise its own LSCT Scheme creating a 'postcode lottery' as there are bound to be variations between different areas. Councils with Schemes which are more attractive to certain groups may find people move to their area from areas with less generous schemes increasing take up on their LSCT Scheme.

15 STATUTORY IMPLICATONS

- 15.1 CTB will be abolished from 1 April 2013 and Billing Authorities must develop and agree a LSCT Scheme by 31 January 2013 to be implemented from 1 April 2013.
- 15.2 Failure to develop a LSCT results in the Default Scheme of LSCT being imposed by Government. The Default Scheme mirrors the old CTB scheme with the same level of awards of support.
- 15.3 Any Billing Authority subject to the default scheme must ensure it has the resource to meet the shortfall in funding due the 10 per cent reduction.
- 15.4 A Prescribed Scheme for Pension Age claimants will be developed by Government to ensure they continue to receive the same level of support as under the existing CTB Scheme.

GLOSSARY OF TERMS

Applicable Amount	Figure that reflects the basic living needs of the household
Billing Authority	The authority billing and collecting Council Tax
Capital	Savings and investments plus the value of property and land not occupied by the claimant
Claimant	Person making the claim for CTB
Council	The Borough or District Council
ESA	Employment and Support Allowance, payable to those with an illness or disability who are either unable to work and are capable of work
Excess Income	Income that is more than a household's Applicable Amount
Household	All the people in the house including the claimant, partner, any children and other adults who live in the home
Income	All money derived from earnings, benefits, maintenance and other payments
Local Authority	A first or second tier authority e.g. a County Council or a Borough Council
Non Dependent	Someone who normally lives with the claimant who is usually over the age of 18 e.g. an adult son or daughter or other relative
Passported Benefit	A benefit, receipt of which automatically entitles the recipient to full Housing Benefit and CTB
Pension Age	Someone who has attained the qualifying age for State Pension
Personal Allowance	Part of the Applicable Amount – the allowance for individuals in the households
Precepting Authority	An authority that has the power to levy a Council Tax Precept on a Billing Authority e.g. a County Council
Premiums	Part of the Applicable Amount – an additional amount to reflect a high cost of living due to special circumstances in the household e.g. a person with a disability
Second Adult Rebate	A percentage reduction is given to single Taxpayers who have one or more non-dependent residents in the property
Taper Rate	The rate at which excess income reduces the weekly Council Tax entitlement, currently 20p for every £1
Tariff Income	An assumed income from interest earned on Capital, currently £1 for every £250 of capital above £6,000
War Pension	Pension payable to ex-service Personnel

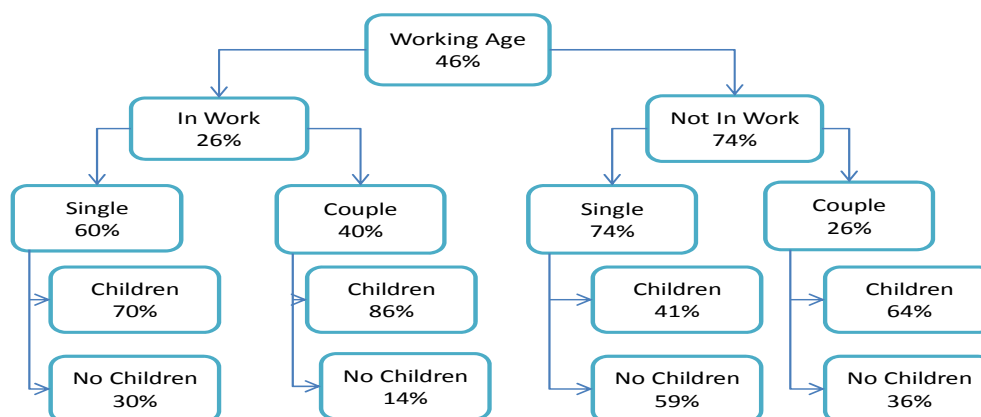
APPENDIX A

Analysis Of Caseload

Full Caseload

	Number	%	Total Annual Benefit	Average annual benefit
Working Age	6,253	46%	£4,910,327	£785
Pension Age	7,297	54%	£6,293,631	£863
Total	13,550		£11,203,958	£827

Working Age Breakdown:



Working Age Caseload - Council Tax Band Profile

Band	Number of claims	% of claims
A	4,270	68%
B	1,284	21%
C	419	7%
D	204	3%
E	58	1%
F	17	0%
G	1	0%
H	0	0%
	6,253	

Of the total working age caseload over two thirds live in a Band A property. Only 11% are in Band C or higher and of these 4.5% live in a property in a Band D or higher. This means a restriction on the maximum Council Tax band only produces minimal savings.

APPENDIX B

Analysis of the impact of the reduced budget

	£	%
CTB Entitlement 2011/2012	£11,203,958	100%
Total CTB Claims	13,550	100%
Pension Age CTB Entitlement 2011/2012	£6,293,631	56%
Pension Age claims	7,297	54%
Working Age CTB Entitlement 2011/2012	£4,910,327	44%
Working Age claims	6,253	46%

A	CTB Subsidy 2011/2012	£11,193,120
B	Funding Reduction of 10.03%	(£1,122,670)
C	Balance for LSCT (A-B)	£10,070,450
D	Pension Age Entitlement (based on 2011/2012)	£6,293,631
E	Balance for Working Age LSCT (C-D)	£3,776,819
F	Current Working Age CTB Entitlement	£4,910,327
G	Actual Working Age Entitlement cut for LSCT £ (E-F)	(£1,133,508)*
H	Actual Working Age Entitlement cut for LSCT % (G/F)	23%

*Includes £10,838 of CTB not met through CTB Subsidy and funded by the Council

NB the caseload has remained static over the past 12 months and CTB Subsidy has reduced from 2010/2011 to 2011/2012 reflecting a small fall in spend so no growth figures have been included in these estimates.

APPENDIX C

Council Tax Benefit (CTB) Rules – A Summary

What does CTB pay for?

CTB is payable to a person who has a liability to pay Council Tax (the 'Liable Person') at the property they live in.

Joint and several liability arises where more than one resident is treated as liable, for example joint tenants who share a house but who are not a couple. These claims would be based upon a percentage of the charge (e.g. 50 per cent each for two residents, 33.3 per cent each for three residents).

Paying CTB

CTB is calculated as a weekly entitlement and is credited directly to the Council Tax account producing a revised Council Tax bill.

Second Adult Rebate (2AR)

This is an alternative type of CTB claimed by a liable person where there is another person living in the property who is on a low income but if this person were not there the liable person would be entitled to a 25 per cent single person discount (SPD) on their Council Tax bill.

As this 'second adult' is on a low income they may have difficulty in paying the additional 25 per cent so the liable person can claim 2AR on their behalf. The liable person's income and capital are not taken into account.

Calculating CTB

Several elements are taken into account when working out benefit entitlement. These include:

- Personal and family circumstances
- Income and capital of the claimant and their household
- Eligible Council Tax
- Anyone else living in the property
- The applicable amount (how much the Government says that the household needs to live on each week).

Certain amounts used in the calculation are prescribed by the Government and the values for 2012/2013 can be found in DWP Circular A1/2012 on the DWP Website at <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/user-communications/hbctb-circulars/2012-adjudication-and-operations/index.shtml/>

Eligible Council Tax:

Main Scheme Council Tax

The maximum eligible Council Tax is 100% of the Council Tax liability. To calculate entitlement, the annual charge is converted to a weekly figure. There are various Council Tax discounts and disregards that can reduce the annual Council Tax charge and entitlement to CTB will be based upon the net eligible Council Tax figure.

Second Adult Rebate (2AR)

(Also known as Alternative Council Tax Benefit)

The maximum 2AR payable is 25 per cent of the Council Tax charge, again converted to a weekly figure. The rates are as follows:

- 25 per cent - second adult on Income Support, Job Seekers Allowance (Income Based) or Pension Credit.
- 15 per cent - second adult's income is up to £179.00
- 7.5 per cent - second adult's income is between £180.00 and £234.99

This is credited directly to the Council Tax account.

Non Dependants

A non-dependant is anyone aged over 18 living in the customer's household as part of their family – this can be a relative or a friend. Non dependant couples are linked and count as one.

No deduction is made where the non-dependent is receiving Income Based Jobseekers Allowance, Income Support, some forms of Income Related Employment and Support Allowance, Attendance Allowance or the Care element of Disability Living Allowance.

Capital

Capital means any monies held in any accounts (current and savings), stocks and shares, bonds, cash etc. It also includes any other property or timeshare owned by the customer/ partner, apart from the dwelling that they live in.

If the total capital is above £16,000 there is no entitlement to CTB unless they receive Pension Credit (Guarantee Credit) when all capital and income is ignored.

The value of stocks / shares and other property is calculated net of any mortgage and after deducting 10 per cent selling costs. Evidence will always be needed of any encumbrances before a decision is made.

The first £6,000 of any capital held by the customer and their partner is disregarded and a weekly 'tariff income' is then applied to capital from £6,000 to £16,000 when entitlement ceases. This income is then added to their other income figure when calculating benefit entitlement.

For customers aged under 60, £1 income is assumed for every £250 (or part thereof) of capital above £6000. For example if a customer has £8,500 in capital the weekly tariff income is £10 (£8,500 minus £6,000 equals £2,500, divided by £250 equals £10).

For customers aged 60 or over, £1 of income is assumed for every £500 (or part thereof) of capital above £6,000. For example if a customer has £8,500, the weekly tariff income is £5 (£8,500 minus £6000 equals £2,500, divided by £500 equals £5).

Income

Income means any money that the customer and partner have coming into the household, whether in the form of earned income, unearned income, benefits or tariff income via capital.

If a customer or partner is in receipt of any of the following (known as Passported Benefits), all other income is disregarded and maximum Council Tax Benefit is payable, less any non-dependent deductions:

- Pension Credit (Guarantee)
- Income Support
- Job Seekers Allowance (Income Based)

Any claims made where no Passported Benefits are in payment are known as 'standard' claims and there are complex rules regarding the calculation of income.

Some income is fully disregarded including Disability Living Allowance, Attendance Allowance, War Pensions, Maintenance For Children (since October 2009) and Child Benefit (since October 2009).

Some income is partially disregarded including earnings (depending upon the household and the number of hours worked) and income from rent, e.g. boarders and sub-tenants.

All other income is taken into account in full.

Applicable Amount

The applicable amount is a figure based on the amount of money that Government says a household need to live on. This is made up of Personal Allowances and Premiums. The Personal Allowances are for Members of the household including:

- Single claimants under 25
- Single claimants over 25
- Couples
- Lone parents
- Dependent Children

The Premiums reflect any special circumstances in the household and include:

- Family Premiums
- Disability Premiums
- Enhanced Disability Premiums
- Severe Disability Premiums
- Disabled Child Premiums
- Carer Premiums

The effect of the Premium is to raise the level of income the household can have before they reach the point where excess income is taken into account to allow for additional expenses due to their special circumstances.

The calculation of CTB

CTB is calculated as follows:

Income
minus Applicable Amount
equals Excess Income.

Eligible Council Tax
minus 20 per cent of Excess Income Figure
equals CTB

For example:

Income	£150.00	
Applicable Amount	£111.45	
Excess Income	£38.55	
Eligible Council Tax	£25.41	
20 per cent of Excess Income	£7.71	(£38.55 x 0.2)
CTB	£17.70	

Changes of Circumstance

A customer has a duty to inform the Local Authority immediately in writing of any change that they think might affect their benefit claim. If the customer delays reporting a change that may increase their benefit, they will lose benefit if there is no good cause to backdate that change. The general time limit is one month.

If the change however reduces benefit and causes an overpayment the claim will be amended as far back as necessary.

Pensioners who receive Pension Credit must report any changes in income, capital or their household to the Pension Service who will re-assess the Pension Credit entitlement and inform the Local Authority.

Different changes affect claims from different dates. For example, if a customer moves to an address within the LA area the change takes effect from the date of move. If the customer moves outside the Local Authority area CTB ends on the day of move.

Extended Payments

Extended payments are four weeks extra benefit when a customer starts work and they have been in receipt of Income Support, Jobseekers Allowance, Employment and Support Allowance or Severe Disablement Allowance continuously for at least 26 weeks. The job must be expected to last for at least five weeks and be for at least 16 hours a week. Extended payments are made even if there is no entitlement once starting work.

Evidence

Customers are required to provide evidence in support of their claim. The evidence must be what is 'reasonably required' for the Local Authority to assess entitlement and the identity of every new customer and partner must be checked for authenticity. The onus is on the customer to provide their evidence within the time limit required. The evidence required includes:

Section 19 – Verification of National Insurance Number and Identity

Section 19 of the Social Security Administration (Fraud) Act 1997 requires Local Authorities to verify the National Insurance Number of the claimant and partner for all new claims. Two forms of identity are required for both the customer and partner.

Other Evidence

Supporting evidence is needed for all income and capital, residency and Membership of the household.

Appendix D

Draft Equality Impact Assessment

This document will be fully updated to take into account comments from the consultation responses

Full Impact Assessment

1. What is the service area(s) and who is the lead officer?

- David Thomason – Executive Director of Finance and Resources
- Joanne Stanton – Revenues and Benefits Manager
- Laura Leicester – Benefits Manager
- Council Tax benefit is currently paid to around 14000 claimants to help them meet the cost of their Council Tax. The level of benefit awarded is dependent on the income and circumstances of the applicant. At present the cost of providing this support is returned to the authority by way of subsidy from the DWP.

2. What change are you proposing?

- The proposal is to introduce a Council Tax Support scheme, as required by the Department for Communities and Local Government, from 01 April 2013 to replace the Council Tax Benefit scheme that is due to end on 31 March 2013. Pensioners are protected from the financial cuts to the new scheme leaving the cuts to affect approximately 6500 cases.
- The proposal forms the draft scheme as required by the Department of Communities and Local Government .
- Whereas the spend on Council Tax Benefit was met in full the Council Tax Support Scheme is subject to a 10% cut in funding, around £1.13 million. Each authority must either make the savings as part of the new scheme or find the additional monies required from other sources to meet the cost. A contingency will be required to fund any increases in caseload during the year and to fund a Discretionary Assistance Fund to help those who are in need of additional help.
- The new scheme requires approval by full Council.

3. How will this change help the council achieve its corporate objectives (and therefore your service objectives)?

- The current Council Tax Benefit Scheme funded by the Department of Work and Pensions is due to end on 31 March 2013.
- The authority is required to introduce a new scheme from 01 April 2013 but is subject to a cut in funding. The authority either has to make the savings by developing the new scheme in such a way that the savings are achieved or to fund the 10% cut from its other funds.
- Incentives for working support our Corporate Plan to boost the local economy

4. What is your evidence of the need for change?

- There is a statutory requirement to introduce a new localised scheme of Council Tax Support.
- Of the £1,133,508 reduction 10 per cent would need to be financed by the Borough Council. Norfolk County Council and Norfolk Police have indicated that they would not be willing to make up the remaining 90 per cent. The Borough Council has no budgetary provision to make up this shortfall and it is expected to face up to seven years of continuing reductions in grant. There is little scope therefore for continuation of the current level of support when the new LSCT Scheme and funding regime is introduced

5. What is the impact of your proposal??

- The council will no longer make awards of Council Tax Benefit
- A new award of Council Tax Support will be introduced however this is subject to a 10% cut in funding. The LSCT has to be able to achieve the 10% funding reduction or the authority must find funds to make up the reduction in support.
- Some customers will see a reduction in the amount they may receive by way of the new support and will have to start making payments or make increased payments towards their Council Tax bill.
- In accordance with Government requirements protections from the reductions have been put in place for pensioners and vulnerable groups. As part of the draft scheme the authority has included a provision to protect households with a child aged under 5 to support anti child poverty. Those who are classed as disabled will continue to receive additional support by way of additional premiums which therefore increase their applicable amount. War pensions will continue to be fully disregarded by this authority. The earnings disregard will be increased by £10 per person to help incentivise work and support the aim that customers should be better off in work.
- There may be some impact on council tax collection rates. Of the 6253 working age claimants 4460 previously received full benefit meaning they did not have to pay anything towards their council tax bill. Under the new LSCT these people will only receive a maximum of 75% of their charge as their support award meaning they will have to make a payment at a minimum level of 25%.
- Any reduction to the level of support under LSCT will not apply to a household where there is a child under 5. One of the principles of the Government's welfare reform is to encourage people to increase their income through work. In line with Universal Credit rules it is more reasonable to expect people to work more once their children reach school age.
- War Pensions will continue to be disregarded in full when calculating income for LSCT
- Those who are disabled will continue to receive an additional premium as part of their Applicable Amount to reflect their higher cost of living but will see a cut in their support along with all other people

6. How will you monitor the impact of the change?

- Caseload figures are constantly monitored.
- The scheme will be subject to an annual review.
- Review periods for claims will be considered.
- It is intended that a discretionary fund will be introduced to help those suffering hardship either as a result of the financial changes to the scheme or due to temporary difficulties in their circumstances.
- Customer feedback will be encouraged and will be monitored.
- Council Tax collection rates are currently monitored and the effect of the new scheme will be visible in the collection rates as they are reviewed.

7. How will this change deliver improved value for money and/or release efficiency savings?

- The change is required by the Department of Work and Pensions and the Department for Communities and Local Government. If the authority does not produce a scheme it will be subject to a default scheme which would have a significant cost implication both on the authority and on our major preceptors.
- There is a 10% cut in the funding the authority will receive, this is equivalent to around £1.13 million. The savings will be met by having a less generous new scheme.
- Customers will still be able to apply for assistance with help in paying their Council Tax bill but a significant number will not receive as much as they did previously. An additional discretionary fund will be available for those who are suffering hardship and are potentially disadvantaged by the new scheme.
- As part of efficiency, some parts of the new scheme have been introduced to aid simplification.

8. What geographical area does this change impact upon?

- The change will affect all areas of the Borough.
- There are no cross boundary implications however as each authority may have variations in its schemes there may be a slight postcode lottery where someone with the same circumstances is better off in one authority than the other.

9. What impact will this change have on different groups of the population?

- The change will have an impact on around 6500 current cases. DCLG has already directed that pensioners must be protected. It has also been suggested that authorities should protect vulnerable groups/people. As part of the modelling of the scheme a protection has been built in for households with at least one child under 5 – some 1500 households. An additional earnings disregard has been included as a work incentive and disabled people will continue to receive the additional premiums as part of the calculation of their applicable amount.
- The only way of meeting the savings required is to make cuts to the level of assistance that some customers receive with help in paying their Council Tax bill. The changes will mean that some customers will now have to make payments towards their Council Tax charge whereas previously they had nothing to pay. The collection of these small amounts from more people may also have an effect on the Council Tax collection rates.
- It is intended a Hardship Fund will be set up to mitigate the effects of the changes
- There is also a potential that the caseload could increase. It was thought that some people would not previously apply for 'benefit' whereas they may apply under the new scheme.
- As a large number of customers will be affected an 8 week consultation will take place and their views will be sought.

10. Are there any implications for other service areas?

- Many customers will see reductions in the amount of support they receive and will have to start to make payments towards their Council Tax bill. There will be an increased number of Council Tax accounts that may require intervention in the collection of monies due.
- There may be an impact on the homeless section, if customers have less money they may struggle to pay their bills potentially leading to the need for re-housing.

APPENDIX E

Table of Non-dependant Deductions in CTB	
In receipt of state Pension Credit or in receipt of IS, JSA(IB), or ESA(IR)	0.00
Aged 18 or over and in remunerative work	
-gross income greater than £394.00	9.90
-gross income not less than £316.00 but less than £394.00	8.25
-gross income not less than £183.00 but less than £316.00	6.55
-gross income less than £183.00	3.30
Others aged 18 or over	3.30

APPENDIX F

Average Council Tax by Band for 2012/2013

Band	Annual	Weekly
A	£997.97	£19.19
B	£1,164.30	£22.39
C	£1,330.63	£25.59
D	£1,496.96	£28.79
E	£1,829.62	£35.18
F	£2,162.28	£41.58
G	£2,494.93	£47.98
H	£2,993.92	£57.58

APPENDIX G

Applicable Amounts for Council Tax Benefit for 2012/2013:

Personal Allowances	£ per week
Single Claimant between 18 and 24	£56.25
Single Claimant aged 25+	£71.00
Single claimant any age and entitled to ESA	£71.00
Lone Parent	£71.00
Couple	£111.45
Dependent Child to age 16	£64.99
Young Person age 16 to day before 20 th birthday	£64.99
Premiums	
Family Premium	£17.40
Family Premium (Lone Parent)	£22.20
Disability Premium – Single	£30.35
Disability Premium – Couple	£43.25
Enhanced Disability Premium – Single	£14.80
Enhanced Disability Premium – Disabled Child	£22.89
Enhanced Disability Premium – Couple	£21.30
Severe Disability Premium – Single	£58.20
Severe Disability Premium – Couple (Lower Rate)	£58.20
Severe Disability Premium – Couple (Higher Rate)	£116.40
Disabled Child Premium	£56.63
Carer Premium	£32.60

APPENDIX H

Proposed Consultation Document

Borough Council of
King's Lynn &
West Norfolk



BOROUGH COUNCIL OF KINGS LYNN & WEST NORFOLK

DRAFT LOCAL COUNCIL TAX SUPPORT SCHEME CONSULTATION PAPER

Published August 2012

Introduction

Currently Council Tax Benefit (CTB) is a national system for low income households. It is fully funded by the Department of Work and Pensions. You may get Council Tax Benefit if you pay Council Tax and your income and capital (savings and investments) are below a certain level.

From 1 April 2013, the government is abolishing the national CTB system and is asking councils to introduce a local Council Tax support scheme to replace it. The government is also reducing the funding for CTB by at least 10% which means at least £1.13 million less funding is available to help low income households in the Borough.

The government has specified a number of constraints on what we can do and after exploring the likely effects of the various options open to us; we have identified a preferred scheme for the borough. We need to have an agreed scheme in place by January 2013 and are ensuring all our residents have the opportunity to have their say on the proposed changes by undertaking this consultation on our draft proposals.

Our preferred option aims to limit the impact of the government's reduction on the most vulnerable households and to keep the scheme as straightforward and fair as possible. The preferred scheme distributes the funds available as widely as possible which will mean people who are less well-off will pay the least.

The Borough Council of Kings Lynn & West Norfolk draft scheme is based on the overall guidelines set out below:

- Support will be in the form of a discount to Council Tax bills, with entitlement assessed by a means test so that people with the least money will receive the most help
- The means test will be based on your income and savings, similar to how Council Tax Benefit is worked out now
- Support will be distributed as widely as possible among people eligible to claim the discount
- We will set up a discretionary fund to help the most vulnerable residents get extra support in exceptional circumstances
- The scheme will support people moving into and on low paid work
- The scheme will be reviewed every year and we'll be able to make urgent changes if required by legislation

To make the switch to the new system as simple as possible for residents:

- We will provide clear and accessible information to all residents affected by the ending of Council Tax Benefit
- We will ensure people affected can access additional advice and support

- People currently receiving CTB will have their eligibility for the new scheme assessed without having to reapply to the council, unless their circumstances change

The Borough Council of King's Lynn & West Norfolk's Draft Local Council Tax Support Scheme details

The draft scheme designed by the council was required to work within the following boundaries specified by the government and for which there was no deviation:

- The scheme had to take into account a 10.03% reduction in funding from the government, giving us £1.13 million per year less to distribute as council tax discount
- The funding would remain the same, regardless of the number of people claiming the discount (which has been steadily rising for the last 12 months and is expected to increase more)
- Eligible pensioners were to be protected and would still continue to be entitled to the same support they are now
- The scheme should protect children and vulnerable groups
- The scheme should provide incentives to work and no one should be better off on benefits than working

The Council Tax Discount for people of pensionable age will be provided through a means tested discount equivalent to what they would have been entitled to under the previous Council Tax Benefit (CTB) system

The government has committed to protecting pensioners from the impact of changes to CTB. Instead of receiving CTB, eligible pensioners will receive a discount on their Council Tax for the same amount as they received under the Council Tax Benefit, assuming no other changes in their circumstances. The only difference they will see is how the discount is shown on their Council Tax Bill. Pensioners who are currently claiming CTB will be automatically transferred to the new scheme and will not need to make a new application.

Local Council Tax Support – key principles

Support for Council Tax for those of working age will be provided through a means tested discount and will take into account similar criteria to the current Council Tax Benefits scheme in deciding who is eligible

This means that decisions on who is eligible to receive help paying their Council Tax will be based on a person's income and savings in the same way as CTB is worked out (apart from the changes we have set out below) – for example, other state

benefits, earned income and savings. It makes the change to the new system as simple and clear as possible for existing claimants and new applications.

The Council Tax Discount for people with children under the age of 5 will be provided through a means tested discount equivalent to what they would have been entitled to under the previous Council Tax Benefit (CTB) system

The government has committed to protecting children from the impact of changes to Council Tax Benefit therefore eligible customers with children under the age of 5 will receive a discount on their Council Tax for the same amount as they received under the CTB, assuming no other changes in their circumstances.

The Council Tax discount for people of working age will be limited to 75% of what their entitlement would have been under Council Tax Benefit

Due to the reduction in funding from government for Council Tax support, there will be a shortfall of at least £1.13 million to help low income households in Kings Lynn pay their Council Tax so the council has to look at ways of achieving these savings. To do that, we're proposing that if a household qualifies for Council Tax discount, they will be assessed on the basis of 75% of their liability. The actual amount that they pay will depend on their income and savings and any other discount that may apply.

Limiting the Council Tax Support to 75% would have the following effect on a person entitled to maximum Council Tax Support

Kings Lynn Property	Weekly Council Tax Liability	75% Maximum weekly Council Tax Support payable	Weekly reduction in support compared to current scheme
Band A	£19.11	£14.33	£4.78
Band D	£28.67	£21.50	£7.17
Band H	57.33	£43.00	£14.33

Limiting the Council Tax Support to 75% would have the following effect on claimants currently entitled to some Council Tax Support

Kings Lynn Property	Weekly Council Tax Liability	Current entitlement under CTB	New entitlement under Council Tax Support	Weekly reduction in support compared to current scheme
Band A	£19.11	£15.10	£11.33	£3.77
Band D	£28.67	£19.50	£14.63	£4.87
Band H	57.33	£42.60	£31.95	£10.65

The amount of money held in savings and investments will affect the amount of Council Tax Benefit you are able to receive

Currently, a person will not be entitled to CTB if they have more than £16,000 in savings and investments. Any savings between £6,000 and £16,000 does affect the amount of benefit paid by way of a deduction of £1 for every £250 held in savings. It is proposed to reduce the amount of capital people can have before they qualify for Council Tax Discount to £6,000. Therefore anyone with savings over £6,000 will not be eligible to receive a Council Tax Discount under the proposed new scheme and will be expected to use their savings to pay their Council Tax bill.

Child Benefit and Child Maintenance

Currently, Child Benefit is payable for each child in a household regardless of the parents/carers income. Under the Council Tax Benefit scheme, neither Child Benefit nor child maintenance is taken into account as income and is disregarded. It is proposed under the new scheme to include these in the income assessment of Council Tax Support, thus increasing the amount of income taken into account when calculating the discount payable. However, this will not affect customers with children under the age of 5, who will continue to receive full discount if eligible.

Amending contributions from other adult members of a household

Council Tax Benefit is assessed on the needs of the claimant, partner and dependent children. Other non-dependent adults within the household are expected to make a contribution towards the council tax bill and so currently a deduction is made for them, based on the level of their income. For the Local Council Tax Support Scheme, it is proposed to make a deduction of £10 for each non-dependent, regardless of their income or circumstances.

Work Incentives

One of the principles the Government wishes to see in a Local Council Tax Support scheme is the support of work incentives. In line with the principles of Universal Credit and the wider welfare reform agenda, people should get more overall income in work than out of work and more overall income from working more and earning more.

Work incentives already exist within the CTB scheme. Someone out of work for more than six months qualifies for an additional four weeks of CTB at their existing rate when they start work and some earnings are disregarded when calculating their income for benefit purposes. It is therefore proposed that the amount someone can earn before it is taken into account when calculating support is increased by £10 per week to the following:

Status	Previous Disregard	New Disregard
Single	£5	£15
Couple	£10	£20
Disabled or Carer	£20	£30
Lone Parent	£25	£35

Discretionary fund to be set up to provide additional support in exceptional circumstances to the most vulnerable

This extra money will be set aside to help households pay their Council Tax in *exceptional* circumstances. The final scheme will set out the process for how to apply, the criteria used to determine such cases, how decisions will be made and the appeals process.

Examples – How the changes may affect you

The following examples are made-up cases to help explain how the scheme will work in practice.

Couple of pensionable age

Geoff and Pat are 73 and 71 respectively. They currently claim Council Tax Benefit and their award of £17.11 a week based on means testing their income from state pensions, Geoff's work pension and Pat's savings. The full liability for their Band B property is £22.30 per week so they are paying £5.19 a week in Council Tax. When the new scheme is introduced, they will receive a bill which states they now receive a discount rather than benefit but the amount they are entitled to is the same at £17.11 so the £5.19 amount they have to pay also remains the same.

Pensioner – new application

Laura is 68, she moves from Spalding to a new rented flat in Kings Lynn in May 2013. Laura is on Pension Credit Guarantee Credit. Her new flat is a Band A property. When she moves she makes a claim for Council Tax discount, because she is a pensioner and because she is on Pension Credit Guarantee Credit, she receives full Council Tax discount and does not have to pay any Council Tax.

Couple in Band A property – standard working age case

Jessica lives with her partner in a Band A property and are both on Job Seekers Allowance. Their Council Tax is £19.22 per week and in 2012/13 they received full Council Tax Benefit. They will automatically be assessed for Council Tax discount and will receive a discount of 75% on their current liability ($£19.22 \times 75\% = £14.42$). They will therefore have to pay £4.80 ($£19.22 - £14.42$) a week themselves in Council Tax under the proposed new scheme.

Family in Band F property

Tom and Amber live with their four children in a Band F property. Tom works but is currently sick and receives statutory sick pay; the family also receive child benefit and tax credits. Their council tax is £41.41 per week and they currently receive full Council Tax Benefit. They will automatically be assessed for Council Tax Discount and will receive a discount of 75% on their current liability ($£41.41 \times 75\% = £31.06$). This will leave them having to pay £10.35 ($£41.41 - £31.06$) per week in Council Tax.

Family in a Band C Property – Working

Steven and Sue live with their two children in a Band D property. Steven has recently started a new business as a window cleaner and Sue works part time at the local school. The family also receive child benefit and tax credits. Their council tax is £25.48 per week and they receive council tax benefit of £16.30 per week so they currently pay £9.18 per week towards the council tax. They will automatically be assessed for Council Tax Discount and will receive a discount of 75% on their current liability ($£16.30 \times 75\% = £12.23$). This will leave them having to pay £13.25 ($£25.48 - £12.23$) per week under the proposed new scheme.

Single person in work – Earning disregard applies

John is 23 and shares a Band B flat with one housemate. He earns £100 per week. His share of Council Tax is £11.15 per week. He currently receives partial Council Tax Benefits of £3.40 per week which is calculated on the basis of the first £5.00 of his earnings being disregarded so he pays £7.75 a week. When Council Tax Discount is introduced the amount he has to pay will be calculated in two steps. Firstly, the maximum discount he could receive would be 75% of his current liability ($£3.40 \times 75\% = £2.55$). Secondly, the means test is applied. Without a change to the earnings disregard he would have to pay £8.60 per week. However an increase in the earnings disregard from £5 to £15 means he has to pay £5.75 a week so, in effect will be better off under the new scheme as he is in work.

Draft Principles for administration of the Borough Council of Kings Lynn & West Norfolk Local Council Tax Discount Scheme and other supplementary information

1) Principles for administration

Customers will continue to be required to make applications and provide proof of their circumstances. Likewise there will be obligations on the council to assess these applications and to verify the details provided to give clear decisions and to offer a route for a customer to appeal if they do not agree with the decisions which have been made.

Presently, Housing Benefit and Council Tax Benefit claims are administered by the Revenues and Benefits team and we are proposing for applications for the new scheme to be administered by the same team.

2) Applications

At present the council accepts applications for Council Tax benefit (CTB) and Housing Benefit (HB) on the same form (either paper or electronically). The council also accepts applications made via the Job Centre Plus and the Pensions Service. The information requested in current HB/CTB application forms is likely to be very similar, if not identical to the information requested under the Local Council Tax Support Scheme.

3) Evidence

Customers applying for assistance under the Local Council Tax Support Scheme will be required to provide evidence of their income, capital and identification. Where possible, the Council will use its internal systems. Where this is not possible, customers will be asked to provide satisfactory documents.

4) Timescales

The council will set clear targets for processing claims and monitor against them. Where insufficient information has been provided to allow a claim to be assessed, a letter will be issued to explain what is required and when it should be provided.

5) Notification

Once the council has made a decision and the outcome is that the person is entitled to some discount, they will be sent a new Council Tax Bill which shows the amount of discount and confirms the reduction in their liability. If an application is not successful, a letter will be sent to that person, explaining this decision and the right of appeal.

6) Appeals

The scheme will include a right to appeal. The government has yet to release detail the appeals process. At present, Housing and Council Tax Benefit appeals are heard by the Tribunals Service and appeals over Council Tax liability are heard by the Valuation Office Tribunal.

In any case, the first stage of appeal will be a review by a council officer who was not involved in the original decision. Further appeal will either be via a statutory such as the Valuation Office Tribunal.

7) Complaints

If an applicant wishes to complain about the Local Council Tax Support scheme or their application, the council's normal complaints procedure will be open to them.

8) Prescribed requirements

In its publication 'Localising Support for Council Tax, A Statement of Intent', the government has indicated that regulations will prescribe various requirements which must be incorporated in all schemes, such as those which will protect pensioners.

These include provisions to permit access to schemes by people with refugee and similar status, whereas certain other foreign nationals who currently are not eligible for benefit will remain ineligible for the discount under the new schemes.

All requirements prescribed by the government will be incorporated in the council's scheme.

9) Process of Consultation and how to get involved

It is important that the council obtains the views of its residents and those affected by the changes as well as from its stakeholders and members of the voluntary community. The consultation will be open for a period of 8 weeks from the 23 August to the 18 October to enable us to gather as much feedback as possible. We will then consider this feedback and include it in the final recommendation to Cabinet members on the proposals for the new scheme. A final decision on the scheme will be made by full Council during November and the scheme implemented in April 2013.

An online calculator will be available on the council's website if you wish to calculate how these changes may affect you.

10) How to respond

You can respond as follows:

- Email revenues@west-norfolk.gov.uk
- A questionnaire is available on our website www.west-norfolk.gov.uk
- Post this survey to us at:
Revenues and Benefits – Consultation Response
Borough Council of Kings Lynn & West Norfolk
Kings Court, Chapel Street, King's Lynn
Norfolk PE30 1EX
- The Council is also offering some drop in sessions at its offices in King's Lynn, Downham Market and Hunstanton. Details of these are available on our website or by calling 01553 616200.