

METROPOLITAN BOROUGH OF KNOWSLEY

To: The Cabinet Member with Portfolio for Finance and Information Technology

Meeting: 23 August 2012

Wards Affected: All

Portfolio Areas: Finance and Information Technology

Non-Key Decision

**REPORT OF THE DIRECTOR OF
FINANCE AND INFORMATION TECHNOLOGY**

DRAFT LOCAL COUNCIL TAX SUPPORT SCHEME FOR CONSULTATION

1. INTRODUCTION AND PURPOSE OF THE REPORT

The purpose of this report is to summarise a draft local Council Tax Support Scheme for Knowsley and to seek approval to proceed to public consultation on the draft scheme.

2. RECOMMENDATIONS

The Director of Finance and Information Technology, in consultation with the Cabinet Member with Portfolio for Finance and Information Technology, is recommended to agree:-

- (i) To commence the required public consultation on the draft local Council Tax Support Scheme based on the scheme components outlined in section 5 of this report; and,
- (ii) The Local Council Tax Support Scheme Consultation Survey set out at Appendix C to this report.

3. BACKGROUND

- 3.1 Council Tax Benefit is a national means-tested system which provides support to people on benefits and/or low incomes so that they can pay their Council Tax. In Knowsley, 25,095 households (39%) currently receive some level of Council Tax Benefit. The total amount of Council Tax Benefit awarded in Knowsley each year is in the region of £20m and this has always been fully funded by the Government.

- 3.2 Under the Local Government Finance Bill and the Welfare Reform Act 2012, the current national Council Tax Benefit scheme will be replaced by a range of local Council Tax Support schemes with effect from 1 April 2013. Local authorities are required to develop, consult upon and agree their own local schemes by 31 January 2013.
- 3.3 At the same time, the Government intends to reduce national spending on Council Tax Benefit/Support by £500m (or 10%) with effect from 2013/14. In Knowsley, this would equate to a reduction in costs or funding of £2m per annum. However, the Government is also forecasting a reduction in Council Tax Benefit spending nationally in 2013/14 as a result of expected improvements to the national economy. The reduction in spending will be applied after taking into account this expected improvement. Therefore the reduction in funding, when compared to current Council Tax Benefit expenditure, could actually be as much as £3m per annum for Knowsley from 2013/14.
- 3.4 Although the new approach is aligned with the Government's localism policy, the Government has also stated that pensioners must be protected from any reductions in support for Council Tax. Indeed, draft regulations have recently been published which set out the national pensioner scheme for 2013/14. This is, in essence, the existing Council Tax Benefit scheme with some minor amendments.
- 3.5 Knowsley currently has 10,900 pensioners receiving Council Tax Benefit, and this represents 43% of the current caseload. Protecting this large group of people means that, for the scheme to be 'self-funding', the reduction in support for working age customers would need to be in the region of 20%.
- 3.6 The Government has also said that authorities should consider whether similar protection should also be applied to other "vulnerable groups". These groups have not been defined, but the Government has made reference to the Council's statutory responsibilities under the following legislation:-
- The Disabled Persons (Services, Consultation and Representation) Act 1986 and Chronically Sick and Disabled Persons Act 1970, which include a range of duties relating to the welfare needs of disabled people (disabled adults or disabled children);
 - The Housing Act 1996, which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups (households threatened with homelessness within 28 days);
 - The Child Poverty Act 2010, which imposes a duty on local authorities and their partners, to reduce and mitigate the effects of child poverty in their local areas (relating to households with a child under 16 and a household income below a certain level);

- The Equality Act (2010), which imposes a legal duty on local authorities to pay 'due regard' to the need to eliminate discrimination and promote equality; and,
 - The Armed Forces Community Covenant (2011), which exists to redress the disadvantages that the Armed Forces Community faces in comparison to other citizens and to recognise sacrifices made by the Armed Forces Community.
- 3.7 If additional protection was extended to other "vulnerable" groups (such as those highlighted in paragraph 3.6 above), the required savings for the local Council Tax Support scheme would have to be found through considerably higher reductions in support for the remaining smaller number of claimants.
- 3.8 Local schemes must also support welfare reform principles and the work incentives which will be included in the new Universal Credit.
- 3.9 Despite concerted lobbying by local authorities and the Local Government Association, the Government is refusing to consider any local changes to the Single Person Discount scheme. The Single Person Discount is not means-tested and a review of the national scheme could provide a significant additional source of flexibility to deal with the local impact of the Council Tax Benefit funding reductions. Knowsley currently spends £6.4m per year on Single Person Discounts, and much of this support undoubtedly reaches people who do not fall into any vulnerable category.
- 3.10 If the Council does not agree a local scheme by 31 January 2013, the Government will impose a default scheme. This would in effect be the current Council Tax Benefit scheme and this would not therefore deliver the required £2m to £3m reduction in expenditure. The Council would therefore need to find £2m to £3m in additional annual savings from elsewhere in its budget.
- 3.11 In addition, the Government is introducing some technical reforms to Council Tax from April 2013. These will remove certain exemptions on empty properties, thereby enabling local authorities to raise more Council Tax through these charges. As part of developing and implementing Knowsley's Council Tax Support Scheme, it is suggested that these new powers should be utilised to ensure that income from Council Tax is being maximised. This would partly offset the reductions in support for Council Tax which may need to be made.

4. DEVELOPING A LOCAL SCHEME FOR KNOWSLEY

- 4.1 The legislative timescales mean that the only practical and realistic option is to base the local Council Tax Support scheme on the existing components of the current national Council Tax Benefit scheme. Software providers have also been developing their systems on this basis, and would be unable to develop a range of individually tailored schemes across the country in time for implementation in April 2013. The Council's current software provider (Northgate) has recently provided details of the types of changes which it will be able to deliver and has indicated that the software will not support a scheme which is 'radically different' from the current Council Tax Benefit model.
- 4.2 In developing its local scheme, the Council has thus far adopted a number of guiding principles to help assess the various options available. These principles are summarised below and set out in more detail at Appendix A to this report:-
1. The scheme should be fair and equitable;
 2. The scheme should protect our most vulnerable residents;
 3. The scheme should support people back into employment;
 4. The scheme should support bringing empty homes back into use; and,
 5. The scheme must be affordable for the Borough.
- 4.3 Council Tax Benefit is currently calculated by reference to the actual amount of Council Tax payable and a comparison of a claimant's income against a set 'applicable amount', which reflects the needs of the claimant and the members of the claimant's household. In simple terms, where a claimant's income is below the applicable amount, the claimant will qualify for maximum Council Tax Benefit. Where a claimant's income exceeds the applicable amount, Council Tax Benefit is reduced using a taper of 20% (i.e. 20p in the pound) until the claimant ceases to qualify.
- 4.4 In certain circumstances, some types of income are disregarded from the calculation (such as Child Benefit), and/or additional allowances (referred to as premiums) are added to the applicable amount to increase the income threshold. In many cases, these disregards and premiums relate to potentially vulnerable groups and this process therefore affords an element of protection to some claimants in specific circumstances. Retaining these components would enable this protection to continue.

- 4.5 A modelling tool provided by Northgate has been used to estimate and analyse the potential impact on Knowsley's current Council Tax Benefit recipients of the different options available for delivering an affordable local scheme.
- 4.6 Based on these analyses, a number of options have been considered and discounted for a variety of reasons, including where the option would:-
- Have a disproportionate impact on particular claimants/claimant groups;
 - Conflict with other statutory duties (i.e. the requirements of the legislation referred to in paragraph 3.6 above);
 - Erode work incentives in the current Council Tax Benefit scheme and/or not support work incentives in the forthcoming Universal Credit scheme;
 - Not deliver a significant reduction in spending; and/or,
 - Not be practical/feasible/cost-effective to administer.
- 4.7 Appendix B to this report sets out the options which have been considered and subsequently dismissed to date alongside a summary of the reasons for each decision.

5. DRAFT KNOWSLEY LOCAL COUNCIL TAX SUPPORT SCHEME

- 5.1 The first stage of developing a draft local scheme for Knowsley was based on maximising income from empty homes. The Borough is already seeking to maximise the number of homes available for residents and, as well as raising additional funding, changes to the approach to empty homes would provide an incentive for homeowners to bring empty homes back into use. The proposed changes for consultation are set out in the table below:-

Category	Current Council Tax Charge	Proposed Council Tax Charge
Short-term empty property (less than 6 months)	0%	75% to 100%
Long-term empty property (over 6 months but less than 2 years)	50%	100%
Long-term empty property (over 2 years)	50%	150%
Second Homes	50%	100%

- 5.2 There are only two main options which would deliver the remaining level of annual savings needed to fund the overall scheme:-
- (i) Calculate Council Tax Support based on a percentage of the Council Tax liability; or,
 - (ii) Apply a percentage reduction to the amount of Council Tax Benefit currently awarded.
- 5.3 Both of the options set out in paragraph 5.2 above would be relatively easy to administer and for customers to understand. However, option (ii) would mean that those customers receiving the highest amount of Council Tax Benefit (and therefore those on the lowest incomes) would lose the most amount of money.
- 5.4 The proposed draft local scheme for Knowsley is therefore based on option (i), using 80% of the Council Tax liability. This means that every household (excluding pensioners covered by the national pensioner scheme) would in future have to pay at least the first 20% of the Council Tax bill. Council Tax Support would then be calculated on the remaining 80% of the Council Tax bill. This would also mean that those residents who have more/excess income would see a larger percentage reduction in support. This is considered to be the fairest approach given that the residents will have more disposable income from which to manage the reduction.
- 5.5 The table below illustrates the impact of this specific proposal on households in the various Council Tax bands. As explained earlier in this report, pensioner households are protected and are therefore excluded from the table below. The vast majority of working age claimants in Knowsley (94%) live in Band A or Band B properties and would therefore have to pay an additional £3.75 or £4.38 respectively per week. Those claimants on Single Person Discount would pay 75% of this additional charge (i.e. £2.82 for Band A and £3.28 for Band B).

Council Tax Band	Claimant Households	2012/13 Council Tax Bill *	20% Annual Contribution	20% Weekly Contribution
		£	£	£
A	11,511	976.04	195.21	3.75
B	1,790	1,138.71	227.74	4.38
C	612	1,301.39	260.28	5.01
D	201	1,464.06	292.81	5.63
E	71	1,789.41	357.88	6.88
F	7	2,114.75	422.95	8.13
G	3	2,440.10	488.02	9.39
H	0	2,928.12	585.62	11.26

* Annual bill including Police and Fire and Rescue precepts

5.6 Other elements of the proposed draft local scheme include:-

- (i) Seeking a consistent approach to the backdating of claims – the current Council Tax Benefit scheme allows for eligible claims to be automatically backdated for up to 6 months for working age claimants and 3 months for pensioners. The current proposal for backdating rights under the forthcoming Universal Credit scheme is 1 month. It is proposed that the backdating rights under the local scheme for Knowsley should be as consistent as possible. This is not anticipated to provide a significant reduction in costs but will provide a more equitable and understandable approach to the backdating of claims;
- (ii) Removing the Second Adult Rebate – this Rebate can currently be awarded where another adult in the property (who is not the claimant's partner) is on a low income. It can only be claimed where the householder is classed as a single occupier and it effectively replaces the Single Person Discount (for which the householder would no longer qualify due to the second adult in the property). The award of Second Adult Rebate is based solely on the income of the second adult and can be an amount equal to 7.5%, 15% or 25% of the Council Tax liability depending on the circumstances; and,
- (iii) Amending non-dependant deductions – the term “non-dependant” generally refers to any other adults (with some exceptions such as the claimant's partner) who live in a household. A claimant's Council Tax Benefit is reduced by a set amount, based upon the level of income of the non-dependants living in the household. However, no deduction is currently applied if the non-dependant is on a passported benefit (i.e. a means-tested benefit administered by the Department for Work and Pensions, such as Income Support or Job-Seeker's Allowance). It is proposed that a flat-rate non-dependant deduction of £2 per week should be applied under the draft local scheme for those non-dependants who are on a means-tested benefit and a flat rate non-dependant deduction of £5 per week should be applied for other non-dependants.

5.7 The elements detailed at paragraphs 5.6 (i) to (iii) above would simplify the administration of Knowsley's local scheme and would also help to remove some of the complexities of the current scheme, making it easier for residents to understand (particularly in the case of paragraph 5.6 (iii) above). In addition, it is felt that these changes best fit with the underpinning principles set out at paragraph 4.2 above and at Appendix A to this report.

- 5.8 As part of the introduction of any new local Council Tax Support scheme the issue of exceptional cases will have to be addressed. Some ability to deal with the most extreme cases of hardship will also therefore have to be considered as part of any final scheme adopted by the Council.

6. RESOURCE IMPLICATIONS

6.1 Financial

- 6.1.1 As detailed at paragraph 3.3 above, the Council needs to reduce expenditure on Council Tax Benefit/Support by up to £3m per annum from 2013/14 if it is to contain the Government's funding reductions within this area of service. It is estimated that the options put forward in this report to form the component parts of a draft local Council Tax Support Scheme in Knowsley would deliver the following reductions in expenditure or increases in Council Tax receipts per annum:-

Proposed Change	£m
Limit Council Tax Support to 80% of the Council Tax Liability	1.900
Additional income from empty properties	1.000
Consistent approach to the backdating of claims	-
Remove Second Adult Rebate	0.050
Set amount for non-dependants	0.050
Total	3.000

Note: It should be noted that the above figures are net of estimated levels of bad debts/write-offs which may arise due to anticipated difficulties collecting the additional sums due.

- 6.1.2 Under the new arrangements, localised Council Tax Support is to be treated as a discount against Council Tax liability and not as a benefit. Therefore, the Council's tax base (which is based on Band D equivalents) will reduce in proportion to the amount of discount the Council allows to residents. Knowsley already has a low tax base and this further reduction will impact negatively upon the Council's ability to raise additional income from Council Tax in future years, although any additional income from empty properties would offset some of the reduction in the tax base.

- 6.1.3 With effect from 2013/14, the change will impact on the Authority's Council Tax Requirement, which will be lower as the Council will receive a grant to fund part of the Localised Council Tax Support Scheme. Levies will now form a significant proportion of this Council Tax Requirement and the Council's ability to raise Council Tax will be severely limited due to the Localism Act which requires a referendum for any rise in Council Tax deemed to be "excessive". The maximum increase in Council Tax now assumed in the Medium-Term Financial Plan before a referendum is required is 1.4%.
- 6.1.4 It is important to note that local authorities may consider meeting the shortfall in funding for Council Tax Support by identifying alternative savings in other service areas. However, as set out in the Council's latest Medium-Term Financial Strategy which was reported to the Cabinet on 15 August 2012, the Authority is already facing a funding gap of up to £37m over the next 3 years due to the Government's funding reductions. The significant size of this financial challenge – and the resultant likely service reductions which will have to be made – would only be increased if the Council sought to bridge this additional £3m gap by April 2013.
- 6.1.5 It is therefore suggested that the Council's intention should be to reduce expenditure on Council Tax Benefit/Support by up to £3m per annum from 2013/14. This includes the elements which relate to the major preceptors (the Police and Fire and Rescue Authorities) and will ensure that there is no adverse affect on the Council Tax collected from Knowsley residents on behalf of the major preceptors.
- 6.1.6 The Government has allocated every billing authority a one-off grant of £86,000 as an initial allocation to help to fund the development and implementation of the required new local schemes. A full "new burdens" assessment is awaited, and it is hoped that this may provide additional Government funding in this regard. Pending this assessment, a Finance and Information Technology Portfolio reserve of £100,000 was established as part of the 2011/12 outturn process, which brings the current budget for development costs up to £186,000. The costs of consulting on and implementing the new local scheme are currently expected to total up to £165,000 and will therefore be contained within the current funding.
- 6.1.7 The first call on any additional Government funding made available for implementation of the scheme will be to provide additional temporary staff resources to review existing Council Tax Benefit cases in advance of the local scheme being introduced. The aim of this work would be to help to reduce the costs of the scheme by ensuring that claimants are eligible and are receiving the correct amount of support.

6.2 Human Resources

- 6.2.1 In terms of developing the local Council Tax Support scheme, officers from a number of disciplines have been working on the design of the scheme and preparing consultation materials. This work has been undertaken within existing resources through re-prioritisation of other workloads. Additional capacity has been provided (again by redeploying existing resources) to support and co-ordinate the development and management of the project.
- 6.2.2 The introduction of the local Council Tax Support Scheme will require employees to learn how to administer a new scheme and to be able to deal effectively with residents' enquiries. The project for the design and introduction of the local Council Tax Support Scheme identifies those groups of employees who will require training and when this training will take place.
- 6.2.3 The smooth transition of cases from Council Tax Benefit to local Council Tax support may require additional temporary resources. The need for this resource is currently being assessed and the Council's ability to meet this need will be dependent on funding being available by the Government for this purpose.

6.3 Information Technology

- 6.3.1 The implementation of the local Council Tax Support Scheme requires major development of existing systems by software providers. The Council's current Housing and Council Tax Benefit software provider (Northgate) has indicated that current system developments will allow for the components of Knowsley's draft local scheme proposed in this report.
- 6.3.2 The required software developments are expected to be available in the autumn of 2012. Significant and robust system testing will need to be undertaken once these are delivered in order to ensure that this key Council information system remains fit for purpose.

6.4 Physical Assets

There are no implications arising from this report for the Council's physical assets.

7. RISK ASSESSMENT

- 7.1 There are a number of significant risks associated with the introduction of a local Council Tax Support scheme. Funding for the scheme is a significant risk. Although detailed modelling has been undertaken to identify a scheme which will be affordable, it is difficult to predict changes in future demand for Council Tax Support with any certainty. In order to mitigate this risk, an additional contingency may need to be built into the 2013/14 budget. Observation and analysis of trends during 2013/14 will then inform the need for any future contingencies.
- 7.2 The Government's approach to funding the cost of local Council Tax Support schemes means that any shortfall in funding of a local scheme must be shared with the major precepting authorities (the Police and Fire and Rescue Authorities). The Council's intention is to reduce expenditure on Council Tax Benefit/Support by up to £3m per annum from 2013/14 in order to ensure that there is no adverse affect on the Council Tax collected from Knowsley residents for the Council and on behalf of the major preceptors. However, if there is any shortfall in the amount of Council Tax collected to fund the local Council Tax Support scheme, the Council's share of this risk represents by far the majority at 86%.
- 7.3 There is a significant risk associated with the collection and recovery of the increased amounts of Council Tax, both as a result of the reduction in support available to residents and also due to the reduction in other benefits as a consequence of the Government's wider welfare reforms. The number of households which will be affected by a reduction in support under the local scheme is around 14,100. Of this number, some 10,700 currently pay nothing towards their Council Tax. Inevitably, these will be residents on the lowest incomes and it is likely that a proportion of these residents will be unable to pay the Council Tax charge. Consideration is being given to the feasibility of having a limited hardship fund for exceptional cases, and this will be examined further over the coming weeks.
- 7.4 There is a risk that the local scheme will have unintended consequences for certain population groups. The modelling and analysis of the various options for the scheme have been designed to identify potential consequences and impact. However, a robust and comprehensive consultation on the draft scheme as proposed in this report will also assist in identifying any impacts which have not yet been understood.

- 7.5 There is a risk that the final scheme proposed by the Authority for adoption may be challenged if it does not give due regard to vulnerable groups and the requirements of the Equality Act 2010 and/or if it does not provide sufficient opportunity for residents and other interested parties to be consulted. The consideration given to vulnerable groups and the Equality Act are described in section 8 of this report below. Section 9 of this report below explains the planned approach to consultation.
- 7.6 There is also a risk that the required key software developments will not be delivered in time for adequate testing and implementation of the scheme prior to 1 April 2013. Discussions have already commenced with the Council's software provider which has so far given assurances that the system will accommodate Knowsley's outline proposals. The planned delivery date of autumn 2012 should provide sufficient time for testing the system.
- 7.7 The risk associated with not developing and consulting on a local scheme is that the Government will impose a default scheme. This is in effect the existing Council Tax Benefit scheme but not fully funded, and this would not therefore deliver the necessary reductions in costs.

8. IMPACT ON POPULATION GROUPS

- 8.1 An Equality Impact Assessment of the local Council Tax Support Scheme commenced in June 2012 (i.e. at the very early stages of the scheme options development) and has been refined as the modelling has progressed. Reference has been made to:-
- The Equality and Human Rights Commission's Guide for Decision-Makers entitled "Using the Equality Duties to make Fair Financial Decisions";
 - The Consultation Institute's 2012 document "Consultation Aspects of Council Tax Benefits Localisation"; and,
 - The Department for Communities and Local Government's document "Localising Council Tax Equality Impact Assessment 2012".

- 8.2 For the purposes of the implementation of the local Council Tax Support scheme, four 'protected characteristic' groups have been identified. The Equality Impact Assessment therefore focuses on assessing the impact and any mitigation to this impact for these groups:-
- Carer status;
 - Disability;
 - Gender; and,
 - Social economic status.
- 8.3 The modelling and analysis undertaken in order to inform the design of the local Council Tax Support scheme has sought to identify the potential impact on all Council Tax Benefit claimants and the proposed draft scheme is intended to be as fair and equitable as possible.
- 8.4 As referred to elsewhere in this report, Appendix B details the options for a local scheme which have been considered but subsequently dismissed. Appendix B also summarises the reasons why these options are not being taken forward and includes consideration of the impact on protected characteristic groups.
- 8.5 Consideration has been given to whether certain groups should be protected from any reductions in support (as is the case nationally for pensioners). However, in order to achieve such additional protection, the reduction in support which would need to be applied to the remaining claimant population would be significantly higher than the 20% proposed and would have an excessive and disproportionate impact on those affected.
- 8.6 Instead, the local scheme seeks to retain the protection included in the existing Council Tax Benefit scheme in the form of additional premiums and allowances and additional disregards for certain groups of people. These include additional premiums and allowances for lone parents and families with children, people with disabilities and/or disabled children, and carers. They also include additional disregards in relation to earned income, Child Benefit, Child Maintenance, and war pensions.
- 8.7 The planned consultation on the local Scheme will include targeted consultation with agencies and organisations which represent the identified protected characteristic groups, as well as general consultation with existing Council Tax Benefit claimants and Council Tax payers. This will help to ensure that any unintended consequences on any particular groups are identified before the final scheme is developed for consideration by Members.

- 8.8 In addition, as part of the implementation plan for the local Council Tax Support scheme, the Council is currently identifying the additional support and advice which residents affected by this change may need and will work with external partners to ensure that this is widely available.

9. COMMUNICATION ISSUES

- 9.1 The draft proposals, expected impact and rationale have been discussed informally with Members of the Council in a variety of fora, and this report provides a formal record of progress to date.
- 9.2 The Government have stated that billing authorities must consult first with the major preceptors (the Police and Fire and Rescue Authorities) before going out to wider consultation with residents and “other interested parties”.
- 9.3 Representatives of the precepting authorities have been involved in meetings on a City Region basis to discuss the development and implications of local schemes. The major preceptors have also written to each of the City Region local authorities seeking assurance that there will be no adverse impact on the Council Tax collected from residents on their behalf due to the introduction of local Council Tax Support schemes. Subject to the approval of this report, a copy of Knowsley’s draft local scheme will be shared with the preceptors.
- 9.4 The Government has not prescribed how, or for how long, the public consultation should take place. Although the Government does refer to best practice guidance which indicates that a 12-week consultation period may be appropriate, it is also acknowledged that the length of time should be proportionate to the scale of the changes (i.e. the more fundamental the changes, the longer the consultation should be). The consultation process in Knowsley also needs to align with the Council’s decision-making and budget-setting timescales and processes.
- 9.5 Most other local authorities are consulting over a period ranging from 6 weeks to 12 weeks. It is proposed that Knowsley’s consultation period should commence before the end of August 2012 and take place over a 10-week period. This would provide sufficient time for residents and other interested parties to respond and also for the consultation feedback to be analysed and used to inform the final local Council Tax Support Scheme proposals which need to be considered by a full meeting of the Council before 31 January 2013 in line with the legislative requirements.

- 9.6 The overall approach to consultation has been developed in line with the 'Gunning Principles', which are recognised best practice when carrying out public consultation exercises, i.e.:-
- Consultation should take place at the formative stages of a proposal;
 - Sufficient reasons for the proposal should be put forward to allow intelligent consideration and response;
 - Adequate time should be given for consideration and response; and,
 - The product of consultation should be conscientiously taken into account.
- 9.7 The proposed consultation will utilise a range of methods including an online and paper questionnaire which will be made widely available for residents to complete, targeted postal questionnaires (to ensure a core base of statistically relevant responses), and face to face discussions with individual organisations, agencies, and special interest groups. It is also proposed that a series of road shows will be arranged to take place in each of the main towns across the Borough. A copy of the draft questionnaire is included at Appendix C to this report.
- 9.8 On 20 August 2012, the Overview and Scrutiny Board was asked to comment on the proposed approach to consultation, including the draft questionnaire. Members of the Board made the following suggestions:-
- (i) Some residents may not be able to access town centre 'road shows' and therefore a series of public meetings should be held to get the message out into our communities;
 - (ii) Information should be made available to community groups and at community events, again to raise awareness;
 - (iii) The Area Partnership Boards should be asked to arrange public fora to raise awareness; and,
 - (iv) School leavers and young people not in employment, education or training should be consulted specifically on the proposed changes.
- 9.9 In light of these comments, it is proposed that a series of 'drop-in' sessions will also be arranged to take place during the consultation period. These drop-in sessions will be held in venues outside of the town centres, such as libraries, leisure centres, centres for learning and/or community centres and will provide an opportunity for residents

to find out more about the proposed changes and to encourage residents to take part in the consultation.

- 9.10 The Council will also contact tenants and residents groups to highlight the opportunity to take part in the consultation and to offer further information on the proposals if requested. The Borough's six Area Partnership Boards will be provided with information to enable them to communicate the proposed changes within their areas in the most appropriate manner.
- 9.11 The need to consult with school leavers and young people will be incorporated into the consultation plan and the appropriate means for doing this will be identified.
- 9.12 Members of the Overview and Scrutiny Board also identified that there is a need to make sure that those people who will be affected most by the proposed changes are supported, for example through Knowsley Works to find employment. It was suggested that the questionnaire should be amended to include a section for residents to indicate where they felt they might need this support.
- 9.13 However, on reflection, it is considered that such an amendment might suggest to residents that the outcome of the consultation was being pre-empted and that the proposed changes upon which they are being consulted are definitely going to happen as set out in the draft scheme. It is therefore proposed that signposting and linking residents into other services which will be able to support them should happen after the final scheme has been agreed in January 2013. At this point, the Council will also be better able to identify those residents who will be affected and will therefore be able to better target support.

10. CONCLUSION

- 10.1 This report sets out a proposed draft Council Tax Support scheme for consultation in Knowsley. It explains the process undertaken to model the various potential scheme options and explains how the components of the scheme have been selected based on detailed modelling and an understanding of the potential impacts.
- 10.2 The proposals are intended to deliver a scheme which is affordable as well as fair and equitable. The report seeks permission to progress to formal consultation on the draft scheme.

JAMES DUNCAN
Director of Finance and Information Technology

Contact Officers: Deborah Lee (0151)-443 4163)
 Bernie Benbow (0151)-443 4323)
 Pauline Wass (0151)-443 4115)

Appendices:-

- Appendix A Local Support for Council Tax – Guiding Principles
Appendix B Local Council Tax Support Scheme Options Considered and Dismissed
Appendix C Council Tax Support Scheme – Consultation Survey

Background Papers:-

- Report to the Cabinet Member with Portfolio for Finance and Information Technology – “Localising Support for Council Tax in England” - 1 September 2011
Report to the Cabinet Member with Portfolio for Finance and Information Technology – “Response to Consultation: Localising Support for Council Tax in England” - 20 October 2011
Report to the Cabinet Member with Portfolio for Finance and Information Technology – “Consultation Response on Technical Reforms of Council Tax” - 21 December 2011
Report to the Cabinet Member with Portfolio for Finance and Information Technology – “Response to Consultation: Localising Support for Council Tax in England” - 12 January 2012
Report to the Cabinet Member with Portfolio for Finance and Information Technology – “Welfare Reform Update” - 17 May 2012

APPENDIX A

LOCAL SUPPORT FOR COUNCIL TAX – GUIDING PRINCIPLES

Principle 1: The Scheme should be fair and equitable

Knowsley's local Scheme needs to be fair to all residents whilst providing support to those who are unable to work or who are on a low income.

Principle 2: The Scheme should protect the most vulnerable residents

Knowsley's local Scheme should include measures which help to protect those people who are particularly vulnerable, for example people on low incomes who are elderly, disabled or have young families.

Principle 3: The Scheme should support people into employment

Sometimes, people become discouraged from moving into employment due to a fear of immediately losing benefits. Knowsley's local Scheme should support people into employment or increase the number of hours they work.

Principle 4: The Scheme should support bringing empty homes back into use

Welfare reforms and housing shortages are making it more important than ever that all available housing is being used within the Borough. The Council has an Empty Homes Strategy which looks to bring as many empty homes as possible back into use. Knowsley's local Scheme should support this aim whilst maximising the income from Council Tax across the Borough.

Principle 5: The Scheme must be affordable for the Borough

The Government is significantly reducing the funding for Council Tax Support and Knowsley's local Scheme must be affordable now and in future years in order to protect other key service areas from additional cuts.

APPENDIX B

LOCAL COUNCIL TAX SUPPORT SCHEME
OPTIONS CONSIDERED AND DISMISSED

1. **Limit Support to a Council Tax Band** - Restrict maximum liability to a specific Council Tax band, e.g. a Band E property would only receive Council Tax Support based on a Band D bill.

Reasons for Dismissal:-

- Many councils are considering limiting liability to Band D or Band E, but this would have only a very limited impact in Knowsley and would generate little in the way of savings.
- It would have a disproportionately higher impact on those affected, who are likely to be larger families (i.e. living in larger properties).
- If support was restricted to a Band B or Band A, it would generate significant savings but would also result in significant losses for those living in the higher banded properties.
- Limits could be applied on a sliding scale, for example Band D properties limited to Band C, Band E properties limited to Band D, etc. Again, this would not generate much in the way of savings and is likely to be confusing for residents.
- Another option would be to remove all entitlement to Council Tax Support if the customer lived in a higher banded property. Again, this would generate very little in the way savings and would have a disproportionate effect on the households affected.

2. **Change or Remove Capital Limits** - Reduce from the current limit of £16,000

Reasons for Dismissal:-

- Currently, there is no information on the amount of savings for passported cases (which represents 74% of the working age caseload). The Council would therefore need to review all cases to establish levels of capital. As a result, this option would be likely to cost more to administer than the small savings it would generate.
- The Department for Work and Pensions is retaining £16,000 as the limit for benefits and therefore any change would mean that the local scheme fell out of line with other benefits (including Housing Benefit).
- The proposed scheme will still apply 'tariff income' on savings (above £6,000) therefore still reflecting the level of capital in the calculation of support.
- A reduction in the limit would be a disincentive to save for the future (resulting in a potential conflict with the Authority's financial inclusion agenda).

3. **Set a Minimum Award of Council Tax Support** – Where the amount of Council Tax Support is below a certain amount per week, treat the amount awarded as zero (e.g. where the award is less than £1 per week, or £2 per week, etc.).

Reasons for Dismissal:-

- Those claimants on the margins of Council Tax Benefit eligibility would become ineligible.
- Even £1 per week could help individuals and families on low incomes, particularly given the other welfare reforms being implemented.
- Eligibility for the local scheme may have implications for other ‘passport’ entitlements.
- This measure would only generate a small saving.

4. **Remove/Amend Disregards (Earned Income Disregard/Unearned Income Disregard)** - Certain types of income are ignored or ‘disregarded’ when calculating entitlement to Council Tax Benefit. This is intended to reflect that this additional income (usually other types of benefits) has been awarded to customers with additional needs/living costs and/or to provide an incentive to work.

Reasons for Dismissal:-

Earned Income Disregard - currently an amount between £5 and £25 (depending on the status and/or age of the claimant) is disregarded from net earnings

- Reducing this would only generate a small saving and would be a disincentive to work.
- Any changes would affect working claimants disproportionately more than other customer groups.
- Increasing this disregard would act as an additional work incentive but would increase the level of overall savings required to fund the local scheme, which would result in greater reductions for non-working claimants.
- Retaining the disregard at the current level will support welfare reform principles and work incentives.

Unearned Income Disregard

Child Benefit/Child Maintenance

- Reducing or removing Child Benefit and Child Maintenance disregards would conflict with the Authority’s child poverty obligations.
- Gathering and verifying information in respect of Child Maintenance would be administratively complex and expensive.
- Any changes would only generate a small amount of savings.
- Retaining the disregard would maintain the protection already afforded to lone parents and couples with children under the current Council Tax Benefit scheme.

Disability Living Allowance

- Reducing or removing Disability Living Allowance disregard (which is paid in recognition of additional living costs) would affect people with disabilities disproportionately more than others.
- Reducing or removing this would conflict with statutory duties (see paragraph 3.6 of this report above).
- Retaining the disregard would maintain the protection already afforded to this group under the current Council Tax Benefit scheme.

War Pensions

- Reducing or removing the War Pensions disregard would conflict with the Armed Forces Covenant.
- The changes would affect war pensioners and war widows disproportionately more than other claimants.
- The changes would only generate a small level of savings.
- Retaining the disregard would maintain the protection already afforded to this group under the current Council Tax Benefit scheme and Knowsley's existing local scheme for war pensions.

Various other disregarded elements were also considered but would generate only minor savings and, if adopted, would add to the complexity of the scheme.

5. **Increase Benefit Taper from 20%** - Under the current Council Tax Benefit system, where a claimant's income exceeds the threshold set at which they qualify for 100% Council Tax Benefit (referred to as the applicable amount), Council Tax Benefit is reduced by 20p for each £1 above this amount. This is referred to as a 'taper' and means that the Benefit is gradually reduced as someone's income increases, until the individual ceases to qualify for any Council Tax Benefit.

Reasons for Dismissal:-

- Any increase would be a disincentive to work.
- Any changes would only generate a small saving.
- Typically, this 'excess' income would be earned income, so any changes would affect working claimants who are on low incomes disproportionately more than other customer groups

6. **Remove/Amend Premiums** – Under the current Council Tax Benefit system, additional allowances (referred to as premiums) are awarded to customers in certain circumstances. These premiums increase the ‘applicable amount’ or the threshold at which someone qualifies for Council Tax Benefit. These premiums reflect additional needs of the claimant/household members.

Reasons for Dismissal:-

Family Premium

- Reducing or removing this would conflict with the Authority’s child poverty obligations.
- Any changes would affect lone parents and/or couples with children disproportionately more than other groups.
- Retaining the premium would maintain the protection already afforded to this group under the current Council Tax Benefit scheme.

Disability Premium/Carer Premium

- Reducing or removing this would conflict with statutory duties (see paragraph 3.6 of this report above).
- Any changes would affect claimants with disabilities and/or caring responsibilities disproportionately more than other customer groups.
- Retaining the premiums at current levels would maintain the protection already afforded to this group under the current Council Tax Benefit scheme.