

# CARLISLE CITY COUNCIL

Report to:- **Carlisle City Council**

Date of Meeting:- **8th January 2013**

Agenda Item No:-

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**Public**

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Title:- **LOCAL SUPPORT FOR COUNCIL TAX**

Report of:- **The Director of Community Engagement**

Report reference:- **CD 07/13**

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## **Summary:-**

This paper provides an update to the report agreed by the Executive on 6 August 2012 (CD 39/12) concerning the City Council's statement of intent for Local Support for Council Tax to be implemented on 1 April 2013. This support will be known as the Council Tax Reduction Scheme (CTRS). The paper also refers to the results of the consultation exercise as outlined in the report to the Executive of 19<sup>th</sup> November 2012 (CD 55/12) and requests that Members consider whether to accept the subsequent offer from Government of a transitional grant in respect of 2013/14 only.

## **Recommendation:-**

Members are asked to agree the following recommendations:

- Agree that the current level of reductions given to existing Council Tax Benefit recipients be continued when changing from a Benefit to a Discount.
- Agree Carlisle City Council's CTRS which is, where legislation permits, identical to the current Department for Work and Pension's Council Tax Benefit Scheme but written as a S13A policy document, under The Local Government Finance Act 1992 (as amended by Section 10, of the Local Government Finance Act 2012) to ensure it becomes a legal Discount rather than a Benefit.
- Approve that the scheme be updated automatically to take account of any future legislative changes and that Members be notified of any alterations and their consequences.
- Approve the CTRS S13A policy and the decisions regarding the implementation of the principles of funding the scheme, in part or full, through the application of

Note; In compliance with Section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: CD55/12, CD47/12 & CD39/12.

Council Tax Technical Reforms (created under Section 11A and Section 11B of the Local Government Finance Act 1992 as amended by Section 11 and Section 12 of the Local Government Finance Act 2012) and other funding streams.

- Note that since the report on 6<sup>th</sup> August 2012 the Department for Communities and Local Government (DCLG) announced that an additional £100 million of funding for councils nationally is to be made available. These additional funds are aimed at supporting the development of well-designed council tax support schemes and to maintain positive incentives to work. The amount of funding for which councils will be eligible to apply and the conditions for funding will be published in January 2013.
- Approve that an application for additional funding may be made at the appropriate time.
- Note the findings of the draft policy (statement of intent) consultation.
- Approve that a full appraisal is completed by December 2013 to take into account the financial and other implications of the CTRS in its first operational year with a view to recommending any necessary changes in respect of 2014/15 onwards.
- Approve that as CTRS is required to be reviewed annually prior to the start of the financial year that this is subsumed within the annual budget process.
- Approve the amendment of the City Council's Scheme of Delegated Authority to replicate the Section 151 Officer and the Director of Community Engagement's responsibilities in terms of the existing administration of Council Tax Benefit scheme to be continued within the new setting of CTRS.
- Note that an index of abbreviations is included at appendix 2.

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Director of Community Engagement

19 December 2012

## **1. BACKGROUND INFORMATION AND OPTIONS**

### **1.1 Welfare Reform**

1.1.1 The Welfare Reform Act 2012 abolishes Council Tax Benefit (CTB) from 1<sup>st</sup> April 2013

1.1.2 The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 came into force on 27 November 2012. They contain provisions for billing authorities to introduce their own schemes for CTRS to replace Council Tax Benefit. CTRS will operate as a discount under existing Council Tax regulations.

1.1.3 The Government is making these changes to:

- Help reduce the current deficit by realising a 10% reduction in overall expenditure, following the announcements in The Spending Review 2010, equating to around £500m nationally.
- Reform the welfare system to make it fairer, more affordable and better able to tackle poverty, worklessness and welfare dependency.
- Support the principles of increasing freedom and sharing responsibility by localising power and funding. Full details can be found on the DCLG's web site

### **1.2 Council Tax**

1.2.1 Council Tax Benefit (CTB) is a means tested benefit. It is a national scheme, but it is administered by a billing authority (the District Council in a two tier area). CTB is currently fully funded by the Government, who also provide an administration grant to deliver it.

1.2.2 CTB claimants do not receive the benefit in cash – instead their Council Tax bill is credited with the benefit by either reducing monthly instalments due to be paid or as in the case of 66.07% of claimants receiving CTB requires no payment at all as customers are in receipt of what are called “passported benefits” (e.g.) Income Support, Jobseekers Allowance etc.

1.2.3 The current national CTB scheme will be replaced by the CTRS scheme on 1st April 2013. It has fallen to each Billing Authority to devise its own scheme and Members will be aware of their responsibilities and considerations as outlined in the report considered by this Executive on 6<sup>th</sup> August 2012.

1.2.4 In summary, the main elements of the new scheme will be as follows:

- The current CTB scheme does not have any direct financial impact on the council. It is a demand led benefit, where the Government fully refunds the Council for the benefit it has paid out. In contrast, CTRS will be a Council Tax discount based scheme (like single person discounts). This will reduce the tax base and therefore the

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Council Tax collected by the City Council for itself and its preceptors. To compensate them for the lost Council Tax, the Government will provide a grant, but only at 90% of the cost of current CTB.

- Pensioners are protected through a prescribed national scheme that must form part of any CTRS Scheme. The new CTRS will continue to be demand led, but with a fixed grant from Government it transfers the risk of any growth in caseload numbers locally. If the costs of the CTRS overrun, it cannot be amended "in year". The overrun costs have to be borne by the Major Preceptors. Conversely, it reduces the cost of the scheme should the caseload fall.
- Because the City Council's statement of intent recommends the "status quo", this will not mean requesting payment of increased Council Tax liabilities from all working age claimants, many of whom are not accustomed to paying Council Tax, as currently 68.13% of them are awarded 100% benefit.
- Local councils have flexibility in how the 10% reduction in funding can be managed, and can make savings in other areas of the budget in order to maintain the existing benefit scheme. Councils must have due regard to their statutory responsibilities in the design of any local scheme e.g. Child Poverty Act 2010, Disabled Persons Act 1986, Housing Act 1996, S149 of the Equality Act 2010 etc. Any new scheme should encourage people to work and, in particular, should not act as a disincentive to working. The proposed scheme for the Council Tax Reduction Scheme is attached as appendix 1.

1.2.5 During 2011/12, the City Council claimed approximately £7.4m (subject to final audit) in subsidy from the Department for Work and Pensions (DWP) in respect of Council Tax Benefit. For 2012/13 this figure is forecast to remain almost the same based on our caseload remaining at very similar levels over the last twelve months and Council Tax rises being low, based on major preceptors freezing their council tax in 2012/13.

### **1.3 Considerations**

- 1.3.1 The fixed grant for 2013/14 will be based on DWP forecasts of future spend. Unfortunately, this assumes that expenditure on CTRS will be less in future years than it is now based on Government predictions of an anticipated fall in caseloads. This assumption is currently the subject of challenge by the Local Government Association on behalf of all Local Authorities but as final grant allocations are not expected until 19th December 2012 when these forecasts of future spend will be updated; the indicative amount of £986,000 loss of grant on which the August 2012 report was based and consultation was undertaken remains the best estimate.
- 1.3.2 As stated in August, the impact of this cut in grant means that the City Council faces an estimated financial pressure currently around £123,000. Growth in claimant numbers and changes in government projections could increase this pressure further. The pressure on Cumbria CC and the Police would be £863,000 in Carlisle alone ignoring any other decisions across the County as the Council and its preceptors have sought to make up the shortfall and protect current CTB award levels.

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- 1.3.3 To enable the City Council's statement of intent and address the shortfall in funding, the City Council indicated that it would also be implementing a number of changes to certain council tax exemptions and discounts from April 2013.
- 1.3.4 It is anticipated that these will raise the estimated savings by changing charging policies in respect of these properties. As the final grant settlement remains unclear, a separate report outlining the detail of these changes will be prepared.
- 1.3.5 The cost of helping those on low incomes to meet their Council Tax liability becomes a local decision and falls on the Council Tax precepting authorities (County Council, District Council and Police Authority).
- 1.3.6 The timescale for implementation is very challenging. Software suppliers of existing Revenues and Benefits proprietary systems face a severe challenge to design, test and release a new system that will, initially, be a hybrid of the current systems to allow the flexibility required by the different Local Authorities, yet avoid duplication of work with existing Housing Benefit claimants. The system must be capable of producing Council Tax Bills, inclusive of CTRS discount and separate notification letters, for despatch during early March 2013. In order for this to take place the software must be available for testing by early February 2013.
- 1.3.7 In line with the Government's statement of intent, customers already receiving council tax benefit will not be required to reapply for CTRS. However, a review process may be introduced to ensure all requests for CTRS are updated.
- 1.3.8 The current Council Tax Benefit scheme includes adequate work incentives e.g. lone parent and extended payment 'run-ons' to allow claimants returning to work to continue to claim Benefit for a period of up to 4 weeks by continuing these provisions into CTRS the City Council will in part be addressing the Government's requirement to include work incentives in local schemes.
- 1.3.9 The proposed scheme includes adequate protection for vulnerable persons e.g. a range of premiums and disregards as part of the assessment process, statutory disregard for war widows/widowers in receipt of war pensions, local war widows/widowers funding supplement etc. The current scheme has been through DWP Equality Impact Assessments and as the proposed scheme mirrors this it also will adequately addresses issues of equality.
- 1.3.10 Counter-fraud work is likely to be problematic in the longer term as DWP create/develop their Single Fraud Investigation Service (SFIS) that will not cover CTRS or discount fraud. Local Councils will be responsible for ensuring counter fraud responsibilities are met. The introduction of SFIS has however, excepting pilot sites, been postponed until April 2014. This allows the opportunity to continue to utilise the skills and expertise of the City Council's counter-fraud staff in the first operational year of CTRS.

## **1.4 Consultation – Summary of Responses**

- 1.4.1 Members will recall that report CD39/12 was considered by the Executive on Monday 6<sup>th</sup> August 2012 outlining the draft proposals for consultation for a local scheme through which the City Council will administer Support for Council Tax. The key recommendations following the consultation process were outlined in report CD55/12 to the Executive on Monday 19<sup>th</sup> November 2012.
- 1.4.2 The purpose of the consultation was to seek views on the intention to maintain support at the same levels as currently provided through Council Tax Benefit. Options for potential scheme changes were also included to gauge opinion for any future proposals in subsequent years.
- 1.4.3 The draft proposals are clearly supported by the majority of respondents. The Local Government Finance Act 2012 received Royal Assent on 31<sup>st</sup> October 2012 and the implications of the legislative framework will be reflected in the scheme.
- 1.4.4 The City Council's questionnaire also sought to identify equality impacts on those persons surveyed.

## **1.5 Changes Since the Consultation Period Started - Transitional Grant Scheme**

- 1.5.1 On the 16 October 2012, the DCLG announced £100 m of transitional funding to support the move to the localisation of CTRS. Although the Government has previously emphasised flexibility for authorities to determine the appropriateness of their local schemes, this grant presents a financial incentive to an authority to implement certain criteria within the local scheme it adopts.
- 1.5.2 The grant is available to councils who choose to design their local schemes so that:
- Those who would be on 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their council tax liability;
  - The taper rate (i.e. the rate at which support declines as people's income increases) does not increase above 25%; and
  - There is no sharp reduction in support for those entering work for claimants currently entitled to less than 100% support.
  - Although not one of the scheme criteria, the Government stated they would not expect local authorities to impose large additional increases in non-dependent deductions.

## **1.6 Remaining key dates for Introducing CTRS**

- 1.6.1 Three key target dates remain to be reached in the process to introduce CTRS. They are as follows;

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<b>EVENT:</b>	<b>DATE:</b>	<b>SCHEME:</b>
Full Council	8 <sup>th</sup> January 2013	*CTRS Scheme Approval
Full Council (special)	5 <sup>th</sup> February 2013	Tax Setting
Carlisle CTRS Effective Date	1 <sup>st</sup> April 2013	'Go Live'

\*Must be before 31<sup>st</sup> January 2013

1.6.2 Although a considerable amount of work has already been undertaken in reaching our current point there remains much to do in order to complete the introduction of CTRS on time.

1.6.3 Implementing a local scheme – Even if largely mirroring the existing Council Tax Benefit Scheme, is a considerable workload in:.

- Software Implementation – design, delivery, testing, training and suitability for producing appropriately discounted Council Tax bills and CTRS notification letters in February 2013.
- Data Protection / Information Sharing – regulations, protocols and procedures need to be in place to deal with a 'means-tested' Benefit turning into a Council Tax Discount.
- Implementation – staff training, administration forms, procedures, partner agreements, data-sharing, counter fraud measures, anti-poverty measures etc.
- Ensuring that officers have the appropriate delegated powers in place to administer and operate CTRS when it comes into force.
- Publicity, advice, guidance and communication.
- Putting in place robust financial and management reporting tools to ensure sound budgetary processes.

## **1.7 Funding Implications**

1.7.1 Funding choices were outlined in the report to the Executive dated Monday 6<sup>th</sup> August 2012 (CD 39/12). In short to enable the funding of CTRS the City Council will have to raise additional Council Tax income through other means. This could be to some extent mitigated by making a claim for funding to the DCLG in line with their scheme introduced in October 2012. Unfortunately the success or, otherwise of such an action is not known at the time of writing this report as the application process does not begin until January 2013.

1.7.2 CTRS operates through Council Tax discount legislation, it reduces the tax base: expressed as a number of 'Band D' properties. Billing Authorities and major precepting authorities (County and Police) are compensated through direct grant payment (albeit at 90% of current cost). It is clearly not feasible for the DCLG to

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pay the 10,000 national parish and town councils in the same manner. The original funding proposals excluded consideration of the effect on Parishes. However, recently issued guidance suggests that they will be affected in the same way as the City Council and preceptors.

- 1.7.3 CTRS will reduce the tax base in some parishes (depending on where claimants reside). This will increase the Council Tax element attributable to the parish precept. This is because the parish Council Tax is the parish precept (the total amount the parish raises each year from its Council Tax payers) divided by its tax base.
- 1.7.4 There are also substantial one-off costs of implementation e.g. new software to administer the local scheme. The Government pledged to fund any new financial burdens for local authorities created by Government requirements. Therefore, new burden funding of £84,000 has been paid to all Billing Authorities for CTRS. Further new burden funding will be available during 2013 / 14 and 2015 / 16 but the basis of distribution is to be finalised.
- 1.7.5 As CTRS reduces Council Tax liability by way of a discount, rather than benefit, this may remove some of the stigma of claiming it: thus increasing demand. Whilst this is good from an economic point of view, it pushes up the costs to the precepting councils. However, in the short term, discounts will continue to be means tested.
- 1.7.6 The Council receives a direct grant from the DWP for administering Housing Benefit (HB) and Council Tax Benefit (CTB) that is separate to any subsidy reclaimed. For the first year following the abolition of CTB this grant will remain in place although it has been subject to a further, in a series of, national annual reductions of 4.4%.
- 1.7.7 The work in administering CTRS will be just as great as administering CTB. However, the administrative efficiencies currently achieved by dealing with CTB and Housing Benefits in the same system will continue in the first year of CTRS. This is because CTRS will remain as a means tested benefit. The calculation will be based on the claimant and households assessable income compared to their applicable amount. The applicable amount is based upon allowances and premiums, which reflect the day-to-day living expenses of the claimant and their family. The City Council's scheme will retain the existing applicable amounts currently used when calculating Council Tax Benefit. Current income disregards, including Child Benefit, Child Tax Credit, Disability Living Allowance and Attendance Allowance will also remain.

## **1.8 Technical Reforms to Council Tax**

- 1.8.1 On Friday 30th November 2012 the Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 and the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 came into force.
- 1.8.2 The Council Tax (Exempt Dwellings) (England) Order 2012 abolishes Classes A and C relating to empty homes in the Council Tax (Exempt Dwellings) Order 1992 so that homes in these classes are no longer exempt from council tax and billing authorities can now charge council tax.

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- 1.8.3 The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 prescribe certain classes of empty properties which would normally benefit from a 50% discount under section 11(2)(a) of the Local Government Finance Act 1992 in relation to which billing authorities can choose what level of discount to set.
- 1.8.4 This would be a suitable means of helping to offset the cost of a local scheme as the additional income, would be shared between the precepting authorities (including parish councils) in the same proportions they are funding the local scheme.
- 1.8.5 A separate report addressing the technical reforms will be prepared outlining the proposals for consideration by the Executive.

## **2 Risks**

2.1 The Key risks are:

- The challenging timetable and lack of significant additional resource leading to a poorly designed and implemented local scheme. This strengthens the case for proposing to adopt the existing scheme;
- Risk of the software not being available in time or not being able to deliver the CTRS design. This further strengthens the case for proposing to adopt the existing scheme and the Partnership's Services Performance Manager sits on the Capita Design Group.
- If the deficit reduction position worsens, the next Government Comprehensive Spending Review (CSR) may well reduce the CTRS grant from 2015-16 onwards.

## **3 Conclusion**

- 3.1.1 This report is based on current Council Tax Benefit expenditure, indicative funding proposals (subject to consultation) and discount trends over the financial year 2011/12.
- 3.1.2 The CTRS will have a high political profile. Full Council Approval will be required, to adopt the Local Scheme, before the deadline of 31<sup>st</sup> January 2013 otherwise the Government will impose a 'default scheme' which, whilst similar to the existing scheme, will grant reduced discounts to working age applicants as compared to the "status quo" scheme envisaged by the City Council's statement of intent. As well as presenting hardship to those disadvantaged within the community this would also present considerable additional council tax collection problems.
- 3.1.3 The wider welfare reform changes currently being implemented (e.g.) the changes to Local Housing Allowances have already left a number of claimants reliant on Housing Benefit with shortfalls towards paying their rent. The planned changes around under-occupation in the social rented sector as well as the introduction of

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the Benefit Cap in April 2013 will leave many more claimants with shortfalls in rent to pay. Imposing additional reductions under the CTRS scheme, particularly where claimants have no option to move to more affordable accommodation, may lead to worse outcomes for claimants and for the City Council in dealing with the consequences of these changes. Retaining a “status quo” scheme, even if only for one year can only assist customers in these difficult times.

- 3.1.4 Consideration will need to be given to the financial implications of the local scheme based on entitlement determined during the first year 2013/14 and the position will need to be reviewed each year in the future.

## **4 RECOMMENDATIONS**

Members are asked to agree the following recommendations:

- Agree that the current level of reductions given to existing Council Tax Benefit recipients be continued when changing from a Benefit to a Discount.
- Agree Carlisle City Council’s CTRS will be, where legislation permits identical to the current Department for Work and Pension’s Council Tax Benefit Scheme but written as a S13A policy document, under The Local Government Finance Act 1992 (as amended by Section 10, of the Local Government Finance Act 2012), to ensure it becomes a legal Discount rather than a Benefit.
- Approve that the scheme be updated automatically to take account of any future legislative changes and that Members be notified of any alterations and their consequences
- Agree the principles of funding the scheme, in part or full, through the application of Council Tax Technical Reforms (created under Section 11A and Section 11B of the Local Government Finance Act 1992 as amended by Section 11 and Section 12 of the Local Government Finance Act 2012 and other funding streams
- Note that since the report on 6<sup>th</sup> August 2012 the Department for Communities and Local Government (DCLG) announced that an additional £100 million of funding for councils nationally is to be made available. These additional funds are aimed at supporting the development of well-designed council tax support schemes and to maintain positive incentives to work. The amount of funding for which councils will be eligible to apply and the conditions for funding will be published in January 2013.
- Approve that an application for additional funding may be made at the appropriate time.
- Approve the CTRS S13A policy and the decisions regarding implementation of Council Tax Technical Reforms and other funding streams.
- Note the findings of the draft policy (statement of intent) consultation.

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- Approve that a full appraisal is completed by December 2013 to take into account the financial and other implications of the CTRS in its first operational year with a view to recommending any necessary changes in respect of 2014/15 onwards.
- Approve that as CTRS is required to be reviewed annually prior to the start of the financial year that this is subsumed within the annual budget process.
- Approve the amendment of the City Council's Scheme of Delegated Authority to replicate the Section 151 Officer and the Director of Community Engagement's responsibilities in terms of the existing administration of the Council Tax Benefit scheme to be continued within the new setting of the CTRS.

## **5 REASONS FOR RECOMMENDATIONS**

The need to provide Local Support for Council Tax is a requirement of the Local Government Finance Act 2012. The recommendations are for a local support scheme which will ensure that those most in need continue to receive assistance from April 2013.

## **6 IMPLICATIONS**

- Staffing/Resources – Additional workload arising during implementation. A Project Manager has been appointed. In addition temporary additional management support has been obtained and a temporary Systems and Support Officer is being sought for a three month period. It is anticipated that resource implications will be met from implementation funding
- Financial – The introduction of a local Council Tax support (discount) scheme on a similar basis to the existing benefit scheme will see a 10% reduction in funding from Central Government, which, based upon indicative figures supplied, equates to approximately £123,000 per annum.
- Decisions on how this can be funded will be subject to further reports to the Executive as part of the 2013/14 budget process. The application for transitional support can only be made in early February, so the receipt of grant will not be known until after the Council's budget has been set.
- Legal – The changes detailed within the Report are being implemented via the Welfare Reform Act 2012, Local Government Finance Act 2012 and ancillary regulations and guidance. Given that the matter will have financial implications for the Authority, Council may wish to include the Localisation of Council Tax Support Scheme within the definition of documents included under the umbrella of 'Budget' in its Budget and Policy Framework (Article 4 of the Constitution). This would mean that the setting of the Scheme would be reserved to Council.
- Corporate – None

- Risk Management – Project risks to be monitored by the Project Manager and mitigating actions taken as required
- Environmental – None
- Crime and Disorder – None
- Impact on Customers – Proposed local scheme will maintain provision of support minimising impact.
- Equality and Diversity – Local scheme will reflect existing provisions of Council Tax Benefit to maintain equality and diversity requirements

- Impact on Customers –  
**Impact assessments**

**Does the change have an impact on the following?**

<b>Equality Impact Screening</b>	<b>Impact Yes/No?</b>	<b>Is the impact positive or negative?</b>
Does the policy/service impact on the following?		
Age	<b>No</b>	
Disability	<b>No</b>	
Race	<b>No</b>	
Gender/ Transgender	<b>No</b>	
Sexual Orientation	<b>No</b>	
Religion or belief	<b>No</b>	
Human Rights	<b>No</b>	
Health inequalities	<b>No</b>	
Rurality	<b>No</b>	

**If you consider there is either no impact or no negative impact, please give reasons:**

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**If an equality Impact is necessary, please contact the P&P team.**

## Index of Abbreviations

**CSR = Comprehensive Spending Review;** A Government process, usually carried out annually and reviewed throughout the financial year. The process is carried out by Her Majesty's Treasury to set firm expenditure limits and, through public service agreements define the key improvements that the public can expect from these resources.

**CTB = Council Tax Benefit;** A means tested state welfare benefit overseen by the Department for Work and Pensions (DWP) but administered by local authorities. It is designed to help council tax payers on low income with meeting all or part of their council tax liability. It is awarded in the form of a rebate by applying it as a deduction from a council taxpayer's bill. As part of the Governments Welfare Reform agenda it will be abolished on 31st March 2013 to be replaced on 1<sup>st</sup> April 2013 in Carlisle by the Council Tax Reduction Scheme (CTRS).

**CTRS = Council Tax Reduction Scheme;** Was formerly referred to as the Localisation of Support for Council Tax. (LSCT). This is a local discount scheme that replaces CTB in Carlisle as from 1<sup>st</sup> April 2013. It is means tested but unlike CTB is neither demand led or fully funded by Government. Part of its cost is therefore met by the council taxpayers of Carlisle as a whole.

**DCLG = Department for Communities & Local Government;** The stated aim of this Government Department is; "...moving decision making power from central government to local councils. This helps put communities in charge of planning, increases accountability and helps citizens to see how their money is spent."

**DWP = Department for Work and Pensions;** The Government Department on behalf of whom local authorities currently administer the welfare benefits Housing Benefit (HB) and Council Tax Benefit (CTB).

**HB = Housing Benefit;** A locally administered means tested benefit designed to help tenants on low incomes with their housing needs by the award of either rent rebate or rent allowance.

**SFIS = Single Fraud Investigation Service;** Currently Her Majesty's Revenues & Customs (HMRC) have powers to investigate and prosecute tax credit fraud, while the Department for Work and Pensions (DWP) and local authorities have powers to investigate and prosecute Social Security fraud. SFIS will be set-up under the DWP to investigate possible frauds in social security benefits, tax credits and Universal Credit (when it commences).

## **DIFFERENCES BETWEEN COUNCIL TAX BENEFIT AND REDUCTION AVAILABLE UNDER SCHEMES MADE UNDER THE COUNCIL TAX REDUCTION SCHEMES (PRESCRIBED REQUIREMENTS) (ENGLAND) REGULATIONS 2012 (“the Regulations”)**

- Council Tax Benefit is a social security benefit and takes the form of a system of payments by DWP to Local Authorities on behalf of claimants. The Council Tax Reduction Scheme (CTRS) is a scheme prescribed by the Councils using powers in the Local Government Finance Act 1992 (as amended) under which individuals are entitled, upon application, to a reduction in their Council Tax liability if certain criteria are met.
- Somebody in receipt of Council Tax Benefit will still receive a Council Tax bill, but that bill will reflect that DWP have paid some or all of the tax due. People entitled to Council Tax Reduction will also receive a bill, but that will be adjusted to reflect their reduced liability.
- Part 3 the Regulations contains the central operative provisions and it does not have an equivalent in the Council Tax Benefit Regulations 2006 (“the 2006 Regulations”). However, it reflects section 131 of the Social Security Contributions and Benefits Act 1992, which is to be repealed, and which is the central operative provision for Council Tax Benefit.
- Many of the entitlement criteria set out in the 2006 Regulations have been adapted in the Regulations and hence the model of determining entitlement by calculating the applicant’s eligible Council Tax due, their income and capital and their living expenses (“the applicable amount”) are essentially the same. In particular, the assessment of various forms of income, the income to be disregarded, the capital savings limits, the treatment of others in the household (“non-dependent deductions” and also the alternative maximum Council Tax reduction or “2<sup>nd</sup> adult rebate”) as well as the applicable amounts, mirror the 2006 Regulations, as amended.
- The 2006 Regulations provide that ‘persons from abroad’ are not entitled to council tax benefit. To take into account changes in immigration law the Regulations provide that “persons treated as not being in Great Britain’ and ‘persons subject to immigration control’ are not entitled to Council Tax reduction. Much of the practical effect is unchanged – those not resident or refugees are the subject of UK Home Affairs Legislation and will not be entitled to a Council Tax discount.

- As Council Tax Reductions will be an integrated aspect of the council tax system, notification of entitlement to a council tax reduction will be made through the normal council tax billing process, so the Regulations do not reflect the 2006 Regulations in this respect.
- The 2006 Regulations also provided that Council Tax Benefit could be recovered in the event of an overpayment being made. This is a matter which can now be resolved within the existing scheme for administration of Council Tax so that if a reduction is granted that is incorrect, Council Tax can be re-billed.
- Local Authorities presently have discretion about how income from war pensions is treated. The new Regulations remove this discretion and align the full disregard with established practice. However the Council's scheme allows for the existing treatment of war pensions to continue.
- The Regulations do not contain specific requirements as to the content of notifications that Authorities send to discount recipients. A separate notification of a Council Tax Reduction being awarded, rather than allow for Council Tax bills to be used solely to communicate about the scheme to tax payers is advisable for reasons of customer care. The regulations offer flexibility on what can be communicated to them. However, DCLG guidance suggests that separate notifications are issued to "explain" the award of the discount.
- Appeals against decisions on Council Tax Benefit are dealt with by the Housing Benefit and Council Tax Benefit (Decisions and Appeals) Regulations 2001. Appeals against decisions on Council Tax Reduction will now be part of the Council Tax system, with the existing procedures, including the scope to escalate an appeal to a Valuation Tribunals under the Local Government Finance Act 1992.
- The Council's own scheme takes into account Welfare Reform changes. Specifically, it makes provision for applicants in receipt of Universal Credit, and Personal Independence Payments.
- The Benefit Regulations allow for the suspension of claims. CTRS being a discount has no similar provision. In short, the council is either satisfied that a discount should be awarded or it is not satisfied.

Jim McCafferty