



# SHEFFIELD CITY COUNCIL

## Cabinet Report

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**Report of:** Laraine Manley

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**Report to:** Cabinet

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**Date:** 17<sup>th</sup> October 2012

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**Subject:** Implementing the Government's Council Tax Benefit Changes

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**Author of Report:** Jon West (37762)

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### Summary:

- 1.1 Sheffield City Council pays Council Tax Benefit (CTB) to over 60,000 households in the city.
- 1.2 From April 2013, as part of a wide ranging welfare reform programme the government will abolish CTB and the Council will be required to replace it with its own local scheme of Council Tax Support (CTS).
- 1.3 This is one of the key changes of at least 40 other changes to the welfare system that the government has introduced since January 2011 or will introduce by October 2013 including the abolition of Housing Benefit (HB), the introduction of Universal Credit, the 'Benefit Cap' on the overall level of combined benefits and credits a household can receive and the transfer of discretionary elements of the Social Fund to local authorities from April 2013.
- 1.4 The government is making a cut of about £500m to the annual CTB budget so for CTS, the government will provide councils with fixed grants to fund awards of CTS which will only be about 90% of what they currently receive for CTB. For Sheffield, based on current estimates, this means a cut in government funding of about £4.6m.
- 1.5 Also, this grant will need to last all year, and unlike CTB, we will not receive any more funding if demand for CTS increases, for example, if people lose their jobs or their income reduces. Because of this gap in funding, the Council will need to make some difficult decisions about the amount of CTS people will receive and take care to ensure that whatever scheme it decides on, it is able to meet the financial demands of that scheme throughout the year.

- 1.6 It is also clear that going forward, the 90% funding is not guaranteed with the government already indicating its intention for future funding of CTS to be provided through general government grant, which it is signalling will be subject to further cuts in future years. This means that, in effect, funding for CTS will be cut by more than 10% over the next few years.
- 1.7 In view of this, at the meeting of 4<sup>th</sup> July 2012, Sheffield City Council passed a resolution stating its opposition to the Government proposals on council tax support localisation, expressing concerns that the policy will impact greatest on councils in the most deprived areas of the country and will hit the most vulnerable in society the hardest.
- 1.8 Furthermore, the 2010 Spending Review, together with recent announcements on CTS funding and the rolling up of specific grants into general grant, indicate that reductions in grant of about £35m are likely in 2013/14 with further reductions in subsequent years.
- 1.9 These budget reductions will need to be achieved through a combination of reductions in spending on Council services and increased income from other sources such as fees and charges. Also, the Council's ability to raise Council Tax is constrained by the requirements of the Localism Act to conduct a local referendum if the Tax were to increase above a level prescribed by the Secretary of State.
- 1.10 The overall message from the assessment of the medium term position is that services are facing significant reductions in 2013/14 and beyond. If the reductions in funding for CTS are not achieved through the design of the scheme itself, then this will add to the forecast budget gap and will require even larger reductions in service provision and/or increases in other charges to customers.
- 1.11 Furthermore, the government requires that pensioners are "protected" so that they are no worse off than they would have been under CTB. Therefore, unless there are other ways to deal with the shortfall, for the Council to implement the 10% cut in grant, the shortfall would have to be shared among those taxpayers under pensionable age. In Sheffield, based on current projections, this equates to an average reduction of about 20% for each non pensioner who currently receives CTB. Based on current levels this means a family living in a Band A property will pay an additional £3.76 per week or someone getting single person discount, an extra £2.82.
- 1.12 It should also be noted that the government has not included any changes to the scheme of Single Person's Discount as part of this reform, which can reduce a person's Council tax charge by 25% if they live alone regardless of whether they are on a low income. Neither have they changed the rules for granting discounts or exemptions from Council Tax on those properties which are occupied by students.
- 1.13 Most councils have now gone public with their proposed schemes which, like Sheffield's draft scheme, overwhelmingly align closely to the existing CTB scheme.

1.14 If Sheffield's draft scheme is adopted, for working age claimants, the maximum amount of CTS would be limited to 80% of their council tax liability. This would:

- i. Spread the burden of the cut equitably across all working age claimants and, by applying the means test already established by CTB and HB, ensure that those with greatest need continue to receive the greatest level of support.
- ii. Take account of the fact that the majority of customers receiving CTS will also receive HB . By aligning the rules for CTS to the current rules for HB, awards will be based on rules with which customers are already familiar.
- iii. Avoid the need for claimants to submit a 'new claim' for CTS in the run up to April 2013.
- iv. Provide continuity for those already claiming CTB and ensure transition arrangements will be the least disruptive and least confusing for customers.

1.15 Inevitably some households will find a cut in support harder to manage than others. The Council is therefore considering ways that additional support may be provided to meet the needs of those particularly vulnerable households experiencing severe financial hardship.

1.16 In accordance with statutory requirements, the Council published its draft scheme and undertook a public consultation exercise between July and September. During this time, the Council sought views on its draft scheme and, reassuringly, the majority of respondents agreed with the Council's proposals. A summary of questions and responses is attached at Appendix 1.

1.17 The Council will continue to regularly review its scheme and consider feedback from its customers to:

- i. understand how the introduction of Universal Credit impacts on our CTS claimants
- ii. look more closely at other options and if necessary
- iii. develop an alternative scheme which will suit the future needs of the Council and its taxpayers.

1.18 The Government have been reviewing the way in which resources are allocated to Councils as part of the Local Government Resource Review. Proposals relating to the retention of business rates and the localisation of Council Tax support are two of the main elements of the Local Government Finance Bill. These will represent the most significant changes in local government finance for decades. The complexity and lack of clarity relating to these arrangements, aspects of which are still open to consultation, has introduced a high level of uncertainty that will not be resolved until early December 2012 when the Local Government Finance Settlement will be announced.

1.19 Although there is considerable uncertainty, which extends to the level of shortfall in government funding for the CTS scheme, the Council needs to prepare for CTS based on the most likely position.

1.20 Consequently, Members should be mindful that the 80% CTS eligibility limit for working age claimants described in this report is based on current projections of the estimated shortfall in funding for the scheme. In order to mitigate this shortfall, the scheme proposed in this report, limits the amount of CTS a working age taxpayer can receive to 80% of their liability for council tax. However, there are a number of factors and risks which may lead to an increase in the funding gap and result in a change to the 80% maximum level of support which is recommended to Members when the scheme is presented to Council for final approval and the Local Government Finance Settlement is known.

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### **Reasons for Recommendations:**

There are very significant legislative, IT, time and cost issues which mean that it will be in the best interests of the Council to establish a CTS scheme which, from 2013, aligns as closely as possible to the current CTB scheme.

This will:

- i. Provide more confidence that we will be able to deliver the scheme within the government's timescales and within its funding provision.
- ii. Spread the burden of the cut equitably across all working age claimants.
- iii. Be relatively simple to administer.
- iv. Minimise disruption to taxpayers.

Adopting the scheme as proposed in this report will ensure that the Council meets its statutory obligations to provide a local scheme of Council Tax Support.

### **Recommendations**

That Cabinet note the proposed Council Tax support scheme detailed in this report and set out in Appendix 2 to this report.

That Cabinet recommend to Council that it approve the scheme, to come into force on 1 April 2013.

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**Background Papers: n/a**

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**Category of Report:** OPEN

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## Statutory and Council Policy Checklist

<b>Financial Implications</b>
YES Cleared by: Eugene Walker
<b>Legal Implications</b>
YES Cleared by: Brendan Twomey
<b>Equality of Opportunity Implications</b>
YES Cleared by: Adele Robinson / Michael Bowles
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
ALL
<b>Relevant Cabinet Portfolio Leader</b>
Cabinet Member for Finance
<b>Relevant Scrutiny Committee if decision called in</b>
Overview and Scrutiny Management Committee
<b>Is the item a matter which is reserved for approval by the City Council?</b>
YES
<b>Press release</b>
No

## REPORT TO CABINET

### IMPLEMENTING THE GOVERNMENT'S COUNCIL TAX BENEFIT CHANGES

#### 1. Summary

- 1.1 Sheffield City Council pays Council Tax Benefit (CTB) to over 60,000 households in the city.
- 1.2 From April 2013, as part of a wide ranging welfare reform programme the government will abolish CTB and the Council will be required to replace it with its own local scheme of Council Tax Support (CTS).
- 1.3 This is one of the key changes of at least 40 other changes to the welfare system that the government has introduced since January 2011 or will introduce by October 2013 including the abolition of Housing Benefit (HB), the introduction of Universal Credit, the 'Benefit Cap' on the overall level of combined benefits and credits a household can receive and the transfer of discretionary elements of the Social Fund to local authorities from April 2013.
- 1.4 The government is making a cut of about £500m to the annual CTB budget so for CTS, the government will provide councils with fixed grants to fund awards of CTS which will only be about 90% of what they currently receive for CTB. For Sheffield, based on current estimates, this means a cut in government funding of about £4.6m.
- 1.5 Also, this grant will need to last all year, and unlike CTB, we will not receive any more funding if demand for CTS increases, for example, if people lose their jobs or their income reduces. Because of this gap in funding, the Council will need to make some difficult decisions about the amount of CTS people will receive and take care to ensure that whatever scheme it decides on, it is able to meet the financial demands of that scheme throughout the year.
- 1.6 It is also clear that going forward, the 90% funding is not guaranteed with the government already indicating its intention for future funding of CTS to be provided through general government grant, which it is signalling will be subject to further cuts in future years. This means that, in effect, funding for CTS will be cut by more than 10% over the next few years.
- 1.7 In view of this, at the meeting of 4<sup>th</sup> July 2012, Sheffield City Council passed a resolution stating its opposition to the Government proposals on council tax support localisation, expressing concerns that the policy will impact greatest on councils in the most deprived areas of the country and will hit the most vulnerable in society the hardest.
- 1.8 Furthermore, the 2010 Spending Review, together with recent announcements on CTS funding and the rolling up of specific grants into general grant, indicate that reductions in grant of about £35m are likely in 2013/14 with further reductions in subsequent years.
- 1.9 These budget reductions will need to be achieved through a combination of reductions in spending on Council services and increased income from other sources such as fees and charges. Also, the Council's ability to raise Council

Tax is constrained by the requirements of the Localism Act to conduct a local referendum if the Tax were to increase above a level prescribed by the Secretary of State.

- 1.10 The overall message from the assessment of the medium term position is that services are facing significant reductions in 2013/14 and beyond. If the reductions in funding for CTS are not achieved through the design of the scheme itself, then this will add to the forecast budget gap and will require even larger reductions in service provision and/or increases in other charges to customers.
- 1.11 Furthermore, the government requires that pensioners are “protected” so that they are no worse off than they would have been under CTB. Therefore, unless there are other ways to deal with the shortfall, for the Council to implement the 10% cut in grant, the shortfall would have to be shared among those taxpayers under pensionable age. In Sheffield, based on current projections, this equates to an average reduction of about 20% for each non pensioner who currently receives CTB. Based on current levels this means a family living in a Band A property will pay an additional £3.76 per week or someone getting single person discount, an extra £2.82.
- 1.12 It should also be noted that the government has not included any changes to the scheme of Single Person’s Discount as part of this reform, which can reduce a person’s Council tax charge by 25% if they live alone regardless of whether they are on a low income. Neither have they changed the rules for granting discounts or exemptions from Council Tax on those properties which are occupied by students.
- 1.13 Most councils have now gone public with their proposed schemes which, like Sheffield’s draft scheme, overwhelmingly align closely to the existing CTB scheme.
- 1.14 If Sheffield’s draft scheme is adopted, for working age claimants, the maximum amount of CTS would be limited to 80% of their council tax liability. This would:
  - i. Spread the burden of the cut equitably across all working age claimants and, by applying the means test already established by CTB and HB, ensure that those with greatest need continue to receive the greatest level of support.
  - ii. Take account of the fact that the majority of claimants receiving CTS will also receive HB . By aligning the rules for CTS to the current rules for HB, awards will be based on rules with which claimants are already familiar.
  - iii. Avoid the need for claimants to submit a ‘new claim’ for CTS in the run up to April 2013.
  - iv. Provide continuity for those already claiming CTB and ensure transition arrangements will be the least disruptive and least confusing for claimants.
- 1.15 Inevitably some households will find a cut in support harder to manage than others. The Council is therefore considering ways that additional support may be

provided to meet the needs of those particularly vulnerable households experiencing severe financial hardship.

- 1.16 In accordance with statutory requirements, the Council published its draft scheme and undertook a public consultation exercise between July and September. During this time, the Council sought views on its draft scheme and, reassuringly, the majority of respondents agreed with the Council's proposals. A summary of questions and responses is attached at Appendix 1.
- 1.17 The Council will continue to regularly review its scheme and consider feedback from its customers to:
- i. understand how the introduction of Universal Credit impacts on our CTS claimants
  - ii. look more closely at other options and if necessary
  - iii. develop an alternative scheme which will suit the future needs of the Council and its taxpayers.
- 1.18 The Government have been reviewing the way in which resources are allocated to Councils as part of the Local Government Resource Review. Proposals relating to the retention of business rates and the localisation of Council Tax support are two of the main elements of the Local Government Finance Bill. These will represent the most significant changes in local government finance for decades. The complexity and lack of clarity relating to these arrangements, aspects of which are still open to consultation, has introduced a high level of uncertainty that will not be resolved until early December 2012 when the Local Government Finance Settlement will be announced.
- 1.19 Although there is considerable uncertainty, which extends to the level of shortfall in government funding for the CTS scheme, the Council needs to prepare for CTS based on the most likely position.
- 1.20 Consequently, Members should be mindful that the 80% CTS eligibility limit for working age claimants described in this report is based on current projections of the estimated shortfall in funding for the scheme. In order to mitigate this shortfall, the scheme proposed in this report, limits the amount of CTS a working age taxpayer can receive to 80% of their liability for council tax. However, there are a number of factors and risks which may lead to an increase in the funding gap and result in a change to the 80% maximum level of support which is recommended to Members when the scheme is presented to Council for final approval and the Local Government Finance Settlement is known.

## **2. Background**

2.1 The Council pays CTB to over 60,000 households in the city.

2.2 The government's Welfare Reform Act 2012 revokes CTB from April 2013. From this date, CTB will be replaced by a local scheme of "Council Tax support" designed and implemented by Local Authorities within a national framework of specific requirements and broad principles.



- 2.3 The government will provide a fixed grant to fund awards of Council Tax support which will be roughly equivalent to 90% of our 2011-12 CTB expenditure. This is approximately £4.6m less than we currently receive for CTB. However, the grant will not be ringfenced.
- 2.4 Legislation will require that current and future low income pensioners are “protected” under a local scheme so that they are no worse off than they would have been under CTB. This means that the 10% shortfall in grant will have to be shared among those taxpayers under pensionable age. In Sheffield, this equates to an average reduction of about 20% for each non pensioner.

### **3. What does this mean for the people of Sheffield?**

- 3.1 Given that the government will not be providing additional funding for protecting pensioners, the cut in support available to working age claimants will be around 20%.
- 3.2 The reduction in government grant means that we will have to collect at least an additional £4.6m each year in Council Tax. Depending on the design of our local scheme, it is likely that this will include collecting from customers who currently receive the maximum level of support and therefore pay no Council Tax.
- 3.3 Should the Council also decide to protect all those working age ‘passported’ claimants who are receiving full CTB, then the cut in support for those remaining claimants who currently receive CTB would be around 90%.

### **4. Sheffield’s Local Scheme**

- 4.1 Sheffield’s proposed scheme is detailed at Appendix 2.
- 4.2 As required by the government, Sheffield’s scheme will ‘protect’ pensioners by providing them with the same level of support which they would have received under the CTB scheme. For this purpose, the government has defined a pensioner as a person who, amongst other things, has reached the qualifying age for state pension credit and they or their partner are not in receipt of certain income related benefits. Therefore, a taxpayer who has reached state pension credit age but is in receipt of a relevant income related benefit will not be protected and will be treated in the same way as working age claimants when calculating their entitlement to CTS as described below.
- 4.3 In this report the term “working age claimant” shall apply to a person who is liable to pay Council Tax and who has not reached the qualifying age for state pension credit or if they have, they or their partner are in receipt of a relevant income related benefit.
- 4.4 It is proposed that Sheffield’s Council Tax support scheme for working age taxpayers will generally follow the same rules as those for CTB except that, as a starting point for assessing entitlement, it will restrict the Council Tax liability covered by the scheme to 80%. This means that all working age claimants will be faced with paying at least 20% of their Council Tax charge (see Appendix 3 for examples).

4.5 Aligning CTS with the CTB scheme provides a number of advantages including:

- i. It makes forecasting Council Tax support expenditure relatively straight forward.
- ii. It provides more confidence that we will be able to deliver the savings required (subject to probable losses on collection).
- iii. It spreads the burden of the cut equally across all working age claimants.
- iv. It is relatively simple to administer.
- v. It can be implemented quickly, allowing sufficient time to carry out appropriate testing.
- vi. To date, IT providers have only focused on developing solutions that align with CTB. Therefore there will be little opportunity for IT providers to develop solutions that will be able to deliver radically different schemes.
- vii. The majority of claimants receiving Council Tax support will also receive HB. By aligning the rules for Council Tax support to current rules for HB, awards will be based on rules with which claimants are already familiar.
- viii. The current administrative efficiencies of processing 'combined' HB and CTB cases will be maintained (subject to government confirmation that data can be shared)
- ix. Training and development requirements for Council Tax and Benefits staff will be minimised.
- x. The scheme can be delivered on the existing IT processing system (which we will still be using for the delivery of HB and Council Tax support for Pension Age claimants).
- xi. System changes are expected to be relatively straightforward to implement.
- xii. Transition arrangements will be the least disruptive and least confusing for claimants.
- xiii. It will avoid the need to undertake a massive data capture exercise or for claimants to submit a 'new claim' for Council Tax support in the run up to April 2013.
- xiv. It will minimise the risk of failing to migrate from one scheme to another in the timescales permitted.

4.6 It is also proposed that under the scheme, in respect of working age taxpayers, the second adult rebate will not apply. Second adult rebate is a form of CTB that can be paid instead of, but not as well as, the main type of CTB. Regardless of their own income, someone can claim second adult rebate if they live with someone, other than their partner, who is on a low income. The Council will invite taxpayers in receipt of second adult rebate to claim CTS.

4.7 Furthermore, it is proposed that war widows pension, war widower's pension and war disablement pension are disregarded in full when assessing a taxpayer's income for CTS purposes. This mirrors the Council's treatment of these pensions under the HB scheme.

4.8 There are a number of changes we could make to current system parameters which would produce a CTS scheme" based on the existing CTB scheme. These include:

- i. Amending capital limits and tariff income
- ii. Amending earnings disregards
- iii. Amending non-dependant charges
- iv. No longer disregarding certain income (e.g. war pensions, child benefit)
- v. Capping Council Tax support to a certain Council Tax band
- vi. No longer paying second adult rebate
- vii. Amending the taper (the rate at which support is reduced as income increases)<sup>1</sup>

4.9 However, an initial analysis of the first six of these options indicates that they would not deliver the £4.6m shortfall in funding. They would also increase the complexity of administration and add confusion to claimants. This would be exacerbated by the extremely challenging timescales in which we have to develop the scheme.

4.10 Amending the taper (option vii) effectively provides 'protection' to all those CTB claimants who are entitled to a 100% rebate.

4.11 However, although amending the taper may deliver the £4.6m savings, this will be at the cost of drastically reducing or removing the level of support of many of the remaining taxpayers currently receiving some CTB.

*For example, a single customer aged 40 works 16 hours per week and earns £91.20 per week. Currently they receive £10.37 in CTB based on a weekly Council Tax liability of £14.11 per week.*

*Under the new scheme, if the taper was increased to 65% (equivalent to the HB taper), their support would go down to £1.96 per week. They would be left to pay Council Tax of £12.15 per week (£631.80 per year), which is 13.3% of their gross income.*

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<sup>1</sup> Currently Council Tax Benefit (CTB) entitlement is calculated by comparing household income with the amount the government says the household needs to live on. This figure is known as the "applicable amount". Generally, if a household's income is equal or less than the applicable amount full CTB is awarded equivalent to 100% of the Council Tax liability. However, if income is higher than the applicable amount, CTB is reduced by 20p for every £1 of additional income. This is the "taper" and is set at 20%.

4.12 Amending the taper also significantly increases the financial risk to the Council of any sudden increase in demand for Council Tax support at the non-tapered maximum rate, for example, where taxpayers qualified for Job Seekers Allowance.

4.13 Also, some of these options for example, no longer disregarding income such as child benefit or war widows pension, may not easily fit with wider Council principles such as fairness.

## **5. Other Considerations**

### ***Reviewing the Scheme***

5.1 We are expected to develop a scheme that supports the aims of Universal Credit however, the government timetable means that our scheme must be up and running 6 months before Universal Credit is implemented. Furthermore there is a statutory requirement that authorities, each financial year, consider revising their scheme. Therefore we will keep the scheme under review as is statutorily required which will give us the opportunity to:

- i. review the effectiveness of the proposed model and assess its impact as a result of equalities impact monitoring
- ii. gain a greater understanding of how Universal Credit will interact with our scheme
- iii. look more closely at alternative models and if necessary
- iv. develop a scheme which will suit the future needs of the Council and its taxpayers.

### ***Mitigating Hardship***

5.2 Over 90% of our working age taxpayers currently receiving CTB live in Band A properties. Based on current Council Tax charges, this would mean under the proposed scheme that they would have to pay an extra £3.76 per week towards their Council Tax (or an extra £2.82 if they were entitled to a single person discount).

5.3 Inevitably some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support may be provided to these households.

## **6. Alternative Options Considered**

6.1 There are a number of other options available to the Council including:

- i. Doing nothing

- ii. Introducing a discount support scheme linked to income bands
- iii. Adopting a completely discretionary financial assistance scheme.

6.2 An analysis of each of these options is shown below:

### **Doing Nothing**

6.3 Any authority which does not agree a local scheme by January 2013 will have to adopt a government imposed 'default' scheme based on the current CTB scheme. In effect, this means that Councils in default will be forced to meet the full cost of expenditure that such a scheme generates. It would also need to make provision for any future increase in demand.

6.4 This option is not being recommended because it comes with a high degree of financial risk, would be reputationally damaging and takes control of the scheme away from the Council.

### **Discount Scheme Linked to Income Bands**

6.5 Under this type of scheme Council Tax support would be provided at a level equivalent to a household's full Council Tax liability if their income was below a certain amount, e.g. £100 per week, with stepped reductions in support as income rises. An illustrative example of how this could look is shown below:

Household income up to £100	=	100% council tax support
Household income up to £150	=	75% council tax support
Household income up to £200	=	50% council tax support
Household income up to £250	=	25% council tax support
Household income above £250	=	no support.

6.6 The advantages of this approach include:

- i. The scheme would be clear to claimants and easy to understand.
- ii. There could be some people who would be better off than under the current scheme.
- iii. Once established, it would be fairly simple to administer.

6.7 However, this option is not being recommended because:

- i. It is a fairly 'blunt' tool, for example, the level of support takes no account of the number of people in a household, so for example, a single person with an income of £180 would get the same level of support as a family with 2 children in the same income band. This calls into question the fairness of this approach.
- ii. The level of support is not very responsive to changes in income, for example, a household income of £200 could attract 50% support. If the next income band below £200 was £150, a reduction in weekly income of up to £50 would not result in an increase in Council Tax support.

- iii. Some claimants would face very high reductions in support based on slight increases in income. For example, a household income of £99 may get 100% support whilst an income of £101 may only get 75% support.
- iv. To overcome issues of 'fairness', there may be a temptation to introduce additional criteria (e.g. capital limits, income disregards, allowances for special needs). However, this added complexity would soon mean that the 'advantages' of a discount scheme would be lost.
- v. At this stage it is highly unlikely the IT changes required to support this approach could be delivered within the required timescales.
- vi. There is a risk that the migration of existing CTB claimants to this scheme would not be achieved in the required timescales.

### **A Completely Discretionary Financial Assistance Scheme**

6.8 This approach would look to make awards of Council Tax support on an individual basis.

6.9 Under this type of scheme it would be possible to bring together several different income streams in order to provide a holistic approach. Council Tax support would form one element of such a scheme with other funding such as free school meals, Discretionary Housing Payments, Social Fund Loans, Community Care Grants, homeless prevention funding and even supporting people funding.

6.10 This approach would in effect bring together all of the Councils' "unringfenced" discretionary payment schemes under one scheme. The advantages of such an approach include:

- i. The ability to take an overall view of a household's financial circumstances, using one assessment and one set of data, would increase efficiency, benefit customers who don't need to access different services, and would fit in with the Council's aim of a whole household service offer to different customer groups.
- ii. The scheme could be extended to providing help advice and support to customers who need to access non Council services such as Department for Work and Pensions administered benefits and pensions.

6.11 However, this option is not being recommended because:

- i. The scheme would require highly knowledgeable, skilled staff supported by sophisticated systems and processes. The degree of training and the time needed for this, the time and cost of developing the system needed to support the scheme and the challenge of integrating into one team staff from a number of services do not fit within the timescales the Council will have to work too.
- ii. The need to individually reassess 60,000 plus claimants against a wide ranging financial assessment significantly increases the risk that the Council will not be able to migrate from one system to another on time.

- iii. Not all recipients of Council Tax support will need or indeed be eligible for wider financial support. Including Council Tax support in a wider package of corporate financial support could add complexity, delay assessments and impact on Council Tax collection.
- iv. Operating a discretionary based scheme with little or no reference to regulatory criteria would increase significantly the risk of legal challenge to the Council. Such legal challenge could require significant resources to deal with and could lead to cases progressing to Judicial Review, which would further increase any financial and reputational risk to the Council.
- v. It would not comply with the minimum legislative requirements of a local scheme including that the scheme must specify the class of persons entitled to assistance and set out the reduction to which persons in each class will be entitled to.
- vi. This approach would be highly resource intensive and every decision would need to be made individually with little or no “automatic processing” to support decision making. Failure to assess each case on an individual basis would see the Council fettering its discretion and leave it open to successful legal challenge on every decision.

## **7. Financial Implications**

7.1 The Government has been reviewing the way in which resources are allocated to Councils as part of the Local Government Resource Review. Proposals relating to the retention of business rates and the localisation of Council Tax support are two of the main elements of the Local Government Finance Bill. These will represent the most significant changes in local government finance for decades. The complexity and lack of clarity relating to these arrangements, aspects of which are still open to consultation, has introduced a high level of uncertainty that will not be resolved until early December 2012 when the Local Government Finance Settlement will be announced.

7.2 Although there is considerable uncertainty, which extends to the level of shortfall in government funding for the CTS scheme, the Council needs to prepare plans for the medium term based on the most likely position.

7.3 Consequently, Members should be mindful that the 80% CTS eligibility limit for working age claimants described in this report is based on current projections of the estimated shortfall in funding for the scheme. In order to mitigate this shortfall, the scheme proposed in this report, limits the amount of CTS a working age taxpayer can receive to 80% of their liability for council tax. However, there are a number of factors and risks which may lead to an increase in the funding gap and result in a change to the 80% maximum level of support which is recommended to Members when the scheme is presented to Council for final approval and the Local Government Finance Settlement is known.

7.4 These factors include:

- i. The government has yet to confirm the actual amount of grant for funding Council Tax support payments. Therefore there may be an increase in the anticipated £4.6m.

- ii. Changes to the local or national economy may increase demand. The grant allocation is not subject to demand fluctuations so there must be contingency built into any scheme to meet any unpredicted demand. If we fund this contingency from the government grant, it will effectively result in a further cut in the support we can offer.
- iii. Increases in demand for CTS from 'protected pensioners'.
- iv. The full set-up and implementation costs of introducing a new scheme are not yet known, although our IT supplier has assessed their initial costs for system development as £59k. Although more is expected, the government has so far only provided each authority with £84k towards implementation costs.
- v. The government has not confirmed how much (or whether) it will contribute to councils' costs of administering their local schemes.
- vi. The cost of administering Council Tax collection may increase as more taxpayers fail to keep up with their payments.
- vii. The percentage of Council Tax collected is likely to decrease if we fail to collect from those least able to pay.
- viii. The Council will need to consider increasing its Council Tax bad debt provision.
- ix. Although the government has yet to provide confirmation, it is likely that the Council will not be compensated for the loss of other income it receives under the current CTB subsidy scheme, for example, about £250k for overpaid benefit each year.
- x. The government assumes that any financial risk will be shared with major precepting authorities (in Sheffield this would be the Police and Fire Authorities).

7.5 Officers will provide a full assessment of these risks and impacts as and when the government provides more clarification about the scheme and build them into the Council's financial strategy.

7.6 In the summer, the Local Government Association published an analysis of the impact of CTS. In it they suggest that some councils may be able to protect their taxpayers by making up the 10% cut by raising income from ending discounts for second homes and empty properties. The government has recently changed the legislation to allow more flexibility in this area.

7.7 However, councils and residents in poorer and more deprived areas of the country, like Sheffield, where the numbers of second and holiday homes are usually low and the number of benefits claimants high, are unlikely to be able to provide protection in this way. Areas like Sheffield therefore have less ability to use this flexibility. An initial analysis shows that the £4.6m gap in CTS funding could not be plugged by use of these flexibilities.



7.8 Sheffield does recognize that this is an important potential source of income for the Council though, and one that could be used to mitigate cuts in any number of Council services. One option would be to mitigate the impact of benefits cuts, but the Council will also be faced with difficult choices about reductions in other services affecting vulnerable people such as the elderly or children in care. In addition, changing the discounts would mean increasing taxes for some residents and the measures could present the council with added problems associated with tax avoidance and non payment.

## **8. Legal Implications**

8.1 The primary legislation in respect of Council Tax support is the Local Government Finance Bill (the Bill), which is expected to be enacted shortly. The Bill provides that local authorities must design and implement local Council Tax support schemes, to be approved by 31 January 2013 and to come into force on 1 April 2013. Where a local authority does not comply with this requirement, a statutory default scheme shall be imposed. The Bill, by amendments to the Local Government Finance Act 1992, provides that approval of a scheme is not an executive decision and must be decided by Council. In line with the report's recommendation, the intention is to refer the scheme proposals and the scheme set out in this report to Council for approval, once the Bill is enacted. When Council have approved the scheme, the above requirement will have been met.

8.2 The Bill required local authorities to publish their draft scheme and to consult on their scheme proposals. The Council has complied with these requirements.

8.3 The Bill and the Council Tax Reduction Schemes (Prescribed Requirements) Regulations (when in force) set out the required content of Council Tax support schemes. The proposed scheme based on the principles proposed in this report, and set out in Appendix 2 to this report, complies with this legislation.

## **9. Equality of Opportunity Implications**

9.1 There is a commitment to fairness and social justice at the heart of the Council's values. We believe that everyone should get a fair and equal chance to succeed in Sheffield however we recognise that some people and communities need extra support and help to reach their full potential, particularly when they face multiple layers of disadvantage and discrimination. It is inevitable when funding levels are reduced that there will be an impact on the services we deliver, including some of the work we do with groups who share a protected equality characteristic. As far as practically possible within the confines of a reduced financial settlement, we have tried to minimise the impact on these groups.

9.2 The Council, in the implementation of the scheme, will need to be mindful of its legal duties toward certain groups and give careful consideration to the assessment of equalities implications including its duties under the Equality Act 2010.

9.3 An Equalities Impact Assessment (EIA) has been undertaken to support the development and implementation of our local scheme and takes into account feedback from the formal consultation process. The EIA is at Appendix 4.

9.4 The consultation exercise closed on 17<sup>th</sup> September. Responses show that there is majority support for the Council's proposed scheme with over 80% of those who expressed a preference, agreeing that the scheme should mirror CTB and over 60% agreeing with limiting the discount for working age claimants to 80%. The greatest level of agreement is shown for the proposal to provide extra support for people in severe hardship with almost 90% of respondents in agreement. However, a minority of respondents do not agree with the Council's proposals with many of them expressing concerns about the impact on financially vulnerable taxpayers. Officers will review the issues raised in the consultation exercise and take them into account when developing the plan to implement the scheme and the communication strategy which will accompany it. A summary of responses to the consultation are shown at Appendix 1.

9.5 The implementation of the scheme will be underpinned by a strong communications strategy which, as a minimum, will ensure all affected customers are individually contacted to explain how the changes affect them.

## **10. Human Resources Implications**

10.1 It is not anticipated that there will be major staffing implications for Council staff as a result of this change although this has yet to be fully assessed. However, there may be implications for Capita staff who currently administer the CTB scheme and the Council Tax service.

## **11. Environmental Implications**

11.1 It is not anticipated that there will be environmental implications from the introduction of Council Tax support. On-line, self service options will be promoted reducing the need for paper forms and the need for claimants to travel to appointments.

## **12. Contractual Implications**

12.1 Discussions are underway with our Council Tax service provider, Capita, in order to prepare for the implementation of the new scheme and to ensure that any contractual variations are agreed. A programme team has been established and officers are in discussion in order to finalise implementation plans.

## **13. Reasons for Recommendation**

13.1 There are very significant legislative, IT, time and cost issues which mean that it will be in the best interests of the Council to establish a CTS scheme which, from 2013, aligns as closely as possible to the current CTB scheme.

13.2 This will:

- i. Provide more confidence that we will be able to deliver the scheme within the government's timescales and within its funding provision.
- ii. Spread the burden of the cut equitably across all working age claimants.

- iii. Be relatively simple to administer.
  - iv. Minimise disruption to taxpayers.
- 13.3 Adopting the scheme as proposed in this report will ensure that the Council meets its statutory obligations to provide a local scheme of Council Tax Support.

#### **14. Recommendations**

That Cabinet note the proposed Council Tax support scheme detailed in this report and set out in Appendix 2 to this report.

That Cabinet recommend to Council that it approve the scheme, to come into force on 1 April 2013.

**Consultation questions and background information**

**Council Tax Benefit is changing**

From April 2013, the Government has announced that it will end Council Tax Benefit. Instead, councils will need to replace it with their own local Council Tax Support schemes. Like Council Tax Benefit, Council Tax Support will reduce the amount of council tax people need to pay. Therefore we are consulting with you on our draft scheme for Council Tax Support.

No changes have been made to existing discounts such as the 25% Single Persons Discount and student exemptions. However there will be some changes and some of these have been set by the Government:

- A 10% reduction in funding for Council Tax Support. This equates to a reduction of about £4.6 million in the first year in Sheffield.
- Only working age residents will be affected because the Government has told councils that pensioners who receive Council Tax Benefit will be protected from the changes.
- Pensioners will continue to receive the same level of Council Tax Support as they currently receive through Council Tax Benefit.
- An average cut in support of 20% for working age customers.
- If demand for Council Tax Support increases, for example, if people lose their jobs or their income reduces, the Government will not give us any more money for our scheme.

We have some difficult choices to make and we need your views.

**Our draft scheme:**

- Matches as closely as possible to the Council Tax Benefit scheme so:
  - residents will not have to make a new claim for Council Tax Support before April 2012.
  - those already claiming Council Tax Benefit will not have to make a new claim.
  - there will be less disruption and confusion for customers.
  - we can use our existing IT system and claims will be processed quicker than if we needed to introduce a new system.
  - people who move off benefits into work are supported.
- Does not replace the “Second Adult Rebate” part of Council Tax Benefit.
- Gives all working age residents who qualify for Council Tax support a discount of up to 80% off their Council Tax bill.
- Provides extra help to our most vulnerable citizens.
- Will be reviewed each year to make sure that it is working well.

### Question 1

- **Do you agree that our scheme should match as far as possible the Council Tax Benefit scheme?**

Strongly Agree ; Agree ; Neither Agree/Disagree ; Disagree ; Strongly Disagree

### Level of support

We are facing a huge gap in funding across all of our services. This means that we have to make some very difficult decisions about how that funding should be spent.

If we are to avoid funding the £4.6m cut in Council Tax Support from money that could be spent on other services, we will need to limit the amount of Council Tax Support we pay out.

One way of doing this is to give all working age residents who qualify for Council Tax Support a discount of up to 80% off their Council Tax bill. This means that all working age customers who qualify for Council Tax Support will have to pay at least 20% of their council tax. Based on current levels this means a family living in a Band A property will pay an additional £3.76 of Council Tax per week and residents in a Band A property getting single person discount will pay an extra £2.82 per week.

For example, a resident who has a weekly council tax liability of £18.81, and currently receives Council Tax Benefit of £18.81 each week, has 100% of their liability covered by Council Tax Benefit. Under Council Tax Support, they will only receive support based on 80% of their liability, this amounts to £15.05. They will therefore have to make payments of £3.76 per week towards their council tax ( $£18.81 - £15.05 = £3.76$ ).

This spreads the burden of the cut equally across all working age customers. Importantly, it also ensures that the most vulnerable and those in greatest need, for example those with children or with disabilities, will still get a greater share of the support that is available.

### Question 2

**Given the reduction in funding available for Council Tax Support, do you agree that we should give all working age residents who qualify for Council Tax support a maximum discount of 80% off their Council Tax bill?**

Strongly Agree ; Agree ; Neither Agree/Disagree ; Disagree ; Strongly Disagree

### Hardship

We recognise that this change may be more difficult for some residents to manage than others and that a cut in support may place some residents in severe hardship. Therefore we are proposing extra support to meet the needs of those vulnerable residents.

### Question 3

## **Do you agree that we should provide extra support for people in severe financial hardship?**

Strongly Agree ; Agree ; Neither Agree/Disagree ; Disagree ; Strongly Disagree

### **Moving into work**

We want Council Tax Support to help people move into work. Therefore, like Council Tax Benefit, our scheme will continue to support residents moving into work by continuing to pay them the same amount of support they receive for the first 4 weeks of employment.

#### **Question 4**

Do you agree that when someone moves into work we should pay the same level of support for the first 4 weeks of employment?

Strongly Agree ; Agree ; Neither Agree/Disagree ; Disagree ; Strongly Disagree

### **Second Adult Rebate**

Second adult rebate is a form of Council Tax Benefit that can be paid instead of, but not as well as, the main type of Council Tax benefit. Regardless of their own income, someone can claim second adult rebate if they live with someone, other than their partner, who is on a low income. The Government will abolish second adult rebate from April 2013. We will invite people who are getting second adult rebate to claim Council Tax Support from April 2013 but we do not intend to operate a scheme which mirrors second adult rebate.

#### **Question 5**

Do you agree that that we should not operate a separate scheme that mirrors second adult rebate?

Strongly Agree ; Agree ; Neither Agree/Disagree ; Disagree ; Strongly Disagree

### **Further information**

The Government requires us to publish and consult on a draft local scheme of Council Tax Support. Our draft scheme is available at [www.sheffield.gov.uk/lcts](http://www.sheffield.gov.uk/lcts).

For more information about council tax click on [council tax](#) or visit [www.sheffield.gov.uk/counciltax](http://www.sheffield.gov.uk/counciltax)

The government's statement of intent for localising support for council tax can be found at:

<http://www.communities.gov.uk/publications/localgovernment/localisingsupportcounciltax>

Council Tax Support – Summary of survey responses excluding those who neither agreed or disagreed

	Strongly agree	Agree	Total who are in agreement	Disagree	Strongly disagree	Total who disagree
Do you agree that our scheme should match as far as possible the CTB scheme?	45%	37%	<b>82%</b>	10%	8%	<b>18%</b>
Do you agree that we should give all working age residents who qualify a maximum discount of 80%?	35%	27%	<b>62%</b>	18%	20%	<b>38%</b>
Do you agree that we should provide extra support for people in severe financial hardship?	60%	28%	<b>88%</b>	6%	6%	<b>12%</b>
Do you agree that when someone moves into work we should pay the same level of support for the first 4 weeks?	43%	34%	<b>77%</b>	16%	7%	<b>23%</b>
Do you agree that we should not operate a separate scheme that mirrors second adult rebate?	37%	40%	<b>77%</b>	10%	13%	<b>23%</b>

**Council Tax Support – Summary of survey responses including those who neither agreed nor disagreed**

	Strongly agree	Agree	Total who are in agreement	Neither agree nor disagree	Disagree	Strongly disagree	Total who disagree
Do you agree that our scheme should match as far as possible the CTB scheme?	39%	36%	<b>75%</b>	<b>12%</b>	8%	5%	<b>13%</b>
Do you agree that we should give all working age residents who qualify a maximum discount of 80%?	34%	25%	<b>60%</b>	<b>6%</b>	16%	18%	<b>34%</b>
Do you agree that we should provide extra support for people in severe financial hardship?	26%	25%	<b>81%</b>	<b>7%</b>	7%	5%	<b>12%</b>
Do you agree that when someone moves into work we should pay the same level of support for the first 4 weeks?	39%	31%	<b>70%</b>	<b>11%</b>	13%	5%	<b>19%</b>
Do you agree that we should not operate a separate scheme that mirrors second adult rebate?	25%	30%	<b>54%</b>	<b>30%</b>	7%	8%	<b>15%</b>



## **SHEFFIELD CITY COUNCIL'S COUNCIL TAX SUPPORT SCHEME**

Sheffield City Council (the Council), in accordance with S13 A (1) (a) of the Local Government Finance Act 1992 is required to provide a Council Tax Reduction Scheme, that complies with the Council Tax Reduction Schemes (Prescribed Requirements) Regulations 2012 (the CTS Regulations). This scheme, entitled Sheffield City Council's Council Tax Support Scheme (the Scheme) complies with that requirement. Assistance under the Scheme shall be referred to as Council Tax Support (CTS). In the event of any conflict between the provisions in the CTS Regulations and the Scheme, including any other legislation referred to in the Scheme, the provisions in the CTS Regulations shall apply.

### **Administration of the Scheme**

The administration of the Scheme including,

- how a claim is to be made,
- who can make a claim,
- decision making,
- notification of changes in circumstances,
- notification of decisions,

shall in respect of a claimant that is a pensioner, as defined by regulation 3 CTS Regulations (Pensioner claimants) be in accordance with the CTS Regulations, and in respect of a claimant who is not a pensioner, within the meaning of regulation 3 CTS Regulations (Working Age claimants) in accordance with the CTS Regulations and Council Tax Benefit Regulations 2006 and related legislation as were in force on 31 March 2013, (the CTB Regulations). For the purpose of the administration of the scheme, referred to above, the CTB regulations except where this document indicates otherwise are incorporated into this Scheme. The CTB Regulations, therefore, when considered in relation to the Scheme, should be read and interpreted as if they apply to the Scheme; for example the word "Benefit" should be read as "CTS" and "relevant authority" should be read as the "Council".

### **Calculation of entitlement to CTS**

Where a claimant is entitled to CTS, the amount of the entitlement shall be assessed in accordance with the Schedule to the Scheme.

Section 13A (1)(c) of the Local Government Finance Act 1992 provides the Council with the discretion to reduce Council Tax liability, in addition to any reductions awarded under the Scheme, to such extent as it thinks fit. A person may apply for a reduction under this power and any such application shall be

made to the Council in writing (including by electronic means) at its designated office. The application should provide such details as are reasonable and necessary to enable the Council to properly consider the application. This should include, but is not limited to:

- the reason for the application,
- the period for which the application is made and;
- the context and circumstances in which the application is made.

### **Review and Appeals of decisions made**

A person who is aggrieved by any decision of the Council under the Scheme relating to his entitlement to CTS or the amount of his CTS entitlement may request a review of the decision by serving a written notice, detailing the grievance, on the Council at its designated office within one calendar month of the decision,.

The Council will carry out a review the decision and notify the aggrieved person of the outcome of the review in writing.

The Council may consider written notices received outside the one calendar month time limit where it is satisfied that there were special circumstances that made it impractical for the person to appeal within the time limit.

Where upon receipt of the Council's notification of the outcome of the review, the person remains aggrieved, or if the Council fails to notify the aggrieved person of the outcome of its review within 2 months of the service of their notice, he may appeal to the valuation tribunal.

## **SCHEDULE TO THE SCHEME**

### **CALCULATION OF ENTITLEMENT TO COUNCIL TAX SUPPORT**

Under the Scheme, a Pensioner Claimant's entitlement to CTS shall be determined, except where this document indicates otherwise, in accordance with the CTS regulations and that claimant's Council Tax liability will be reduced by the CTS amount. In respect of Schedule 5 (1) (a) and (b) of the CTS Regulations, the amount to be disregarded in respect of war widow's pension, war widower's pension or war disablement pension shall be the full pension.

The rest of this section deals with the assessment of CTS entitlement in respect of Working Age Claimants. CTS shall be available in respect of a claimant's Eligible Council Tax. Eligible Council Tax is 80% of the claimant's net Council Tax liability (i.e. net of any other discounts and relevant deductions).

A claimant's entitlement to CTS and the amount of their CTS entitlement shall be determined in accordance with the following process and the relevant provisions under the CTS Regulations.

The Council will assess whether a claimant would have been entitled to Council Tax Benefit (CTB) and the amount of that entitlement, in accordance with s131

Social Security Contributions and Benefits Act 1992, the CTB Regulations and related legislation as was in force on 31 3 13 (the CTB Legislation). However in that assessment of entitlement, for a claimant's Council Tax liability, substitute their Eligible Council Tax. The assessment will be referred to in the Scheme as the "CTS Assessment". For the purposes of the CTS Assessment Regulation 62 (alternative maximum council tax benefit), Regulation 60 C Extended Payments - Movers and Regulation 61 C Extended Payments (qualifying contributory benefits) – movers, of the CTB Regulations, shall not apply. Also in respect of Schedule 4 (16) (a) and (b) of the CTB Regulations, the amount to be disregarded in respect of war widow's pension, war widower's pension or war disablement pension shall be the full pension.

Where a claimant would not have been entitled to CTB under the CTS Assessment, then that claimant does not have an entitlement to CTS under the Scheme. Where the claimant would have had an entitlement to CTB under the CTS Assessment, then the claimant shall be entitled the CTS. The amount of the claimant's CTS entitlement shall be the amount of entitlement assessed under the CTS assessment. The claimant's Council Tax liability shall be reduced by the CTS amount.

**Examples**

**Impact of Proposed Option (basing Council Tax support on 80% liability).**

- 1 A single customer aged 24 receiving Job Seekers Allowance (JSA) of £53.45 per week and a 25% Council Tax Single Person Discount (SPD). Currently they receive £14.11 per week in Council Tax Benefit, as entitlement to JSA means that the customer is entitled to benefit that covers 100% of their Council Tax Liability

Under the proposed scheme, if support for Council Tax is limited to 80% of the customer's liability, the support would be £11.29 per week. The new shortfall would be £2.82 per week (£146.64 per year), which is 5.3% of the customer's gross income. Previously this customer had not had to make any payments towards their Council Tax account.

- 2 A single customer aged 35 who is receiving JSA of £67.50 per week and SPD. Currently they receive £14.11 per week in Council Tax Benefit, as entitlement to JSA means that the customer is entitled to benefit that covers 100% of their Council Tax Liability.

Under the new scheme, if support for Council Tax was limited to 80% of the customer's liability, the support would be £11.29 per week. The new shortfall would be £2.82 per week (£146.64 per year), which is 4.2% of the customer's gross income. Previously this customer had not had to make any payments towards their Council Tax account.

- 3 A single customer aged 35 who is receiving Incapacity Benefit of £99.85 per week and SPD. Currently they receive £13.41 in Council Tax Benefit based on a weekly Council Tax liability of £14.11.

Under the new scheme, if support for Council Tax was limited to 80% of the customer's liability, the support would be £10.59 per week. The existing shortfall increases to £3.52 per week (£183.04 per year), which is 3.5% of the customer's gross income.

- 4 A single customer aged 35 who receives Incapacity Benefit of £108.05 per week, an occupational pension of £48.39 per week, and Disability Living Allowance of £93.15 per week (this is disregarded for Council Tax Benefit purposes) and a SPD. This gives the customer a total weekly income of £249.59 per week. Because of the premiums the customer is entitled to due to their disability, the award of Council Tax Benefit meets their weekly liability in full and they receive Council Tax Benefit of £14.11.

Under the new scheme, if support for Council Tax was limited to 80% of the customer's liability, the support would be £11.29 per week. The shortfall would be £2.82 per week (£146.64 per year), which is 1.1% of the customer's gross income.

- 5 A single customer aged 40 works 16 hours per week and earns £91.20 per week. Currently they receive £10.37 in Council Tax Benefit based on a weekly Council Tax liability of £14.11 per week (SPD has been awarded)

Under the new scheme, if support for Council Tax was limited to 80% of the customer's liability, the support would be £7.55 per week. The existing shortfall

increases to £6.56 per week (£341.12 per year), which is 7.2% of the customer's gross income.

- 6 A single parent with 2 children works part time and earns £114.45 per week, they also receive Tax Credits of £171.47 per week, and £33.70 Child Benefit (which is disregarded for Council Tax Benefit purposes), which gives the customer a total weekly income of £319.62. SPD has been awarded. Currently they receive £7.26 per week in Council Tax Benefit based on a weekly liability of £14.11.

Under the new scheme if support for Council Tax was limited to 80% of the customer's liability, the support would be £4.44 per week. The existing shortfall increases to £9.67 per week (£502.84 per year), which is 3% of the customer's gross income.

- 7 A couple with no children and the husband works part time, and earning £120.29 per week. Currently they receive £15.88 per week in Council Tax Benefit based on a weekly liability of £18.81.

Under the new scheme, if support for Council Tax was limited to 80% of the customer's liability, the support would be £13.06 per week. The existing shortfall increases to £5.75 per week (£299.00 per year), which is 4.9% of the customer's gross income.

- 8 A couple with one child, and the husband is self employed and earns £95.96, they also receive Tax Credits of £142.76 per week, and £20.30 Child Benefit (which is disregarded for Council Tax Benefit purposes), which gives the customer a total weekly income of £259.02. Currently they receive £13.62 per week in Council Tax Benefit based on a weekly liability of £18.81.

Under the new scheme if support for Council Tax was limited to 80% of the customer's liability, the support would be £10.80 per week. The existing shortfall increases to £8.01 per week (£416.52 per year), which is 3.1% of the customer's gross income.

- 9 The following table shows how much extra a taxpayer claiming support in each Council Tax Band would have to pay compared with current levels of Council Tax Benefit:

Council Tax Band	Annual Liability	Weekly Liability (no Single Person Discount)	20% extra to pay (no Single Person Discount)	Weekly Liability (with Single Person Discount)	20% extra to pay (with Single Person Discount)
<b>A</b>	£983.49	£18.81	<b>£3.76</b>	£14.11	<b>£2.82</b>
<b>B</b>	£1,147.41	£21.95	<b>£4.39</b>	£16.46	<b>£3.29</b>
<b>C</b>	£1,311.33	£25.08	<b>£5.02</b>	£18.81	<b>£3.76</b>
<b>D</b>	£1,475.25	£28.22	<b>£5.64</b>	£21.16	<b>£4.23</b>
<b>E</b>	£1,803.08	£34.49	<b>£6.90</b>	£25.86	<b>£5.17</b>
<b>F</b>	£2,130.90	£40.75	<b>£8.15</b>	£30.57	<b>£6.11</b>
<b>G</b>	£2,458.74	£47.03	<b>£9.41</b>	£35.27	<b>£7.05</b>
<b>H</b>	£2,950.49	£56.43	<b>£11.29</b>	£42.32	<b>£8.46</b>

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