

Local Council Tax Support Options & Impacts

No Impact on Council Tax Benefit Claimants or Wider Council Tax

Option1

Option 1	
Absorb the 10% reduction into the council's financial reserves over Year 1 and/or year 2 of the new scheme. The default scheme	
Reduction: £1.9 mil	Contingency: £0.1mil
Risks: <ul style="list-style-type: none"> • No contingency for increase in CTS claims. • Implications for the Tax Base in year 2 could affect the GLA's share of revenue as well as the Council's revenue. • Figures for reserves are based on all benefit matters remaining equal in 2013 compared to 2012. Government tend to increase premiums every year which means the value of the 10% expenditure is higher. If we choose to increase working age CTS by including 2013 premiums, then the savings to be found from reserves must also increase. • A reduction in financial reserves is likely to impact upon the Council's Medium Term Financial Strategy depending upon the minimum level of reserves deemed to be appropriate to the setting of a robust budget. A contribution to reserves can only be achieved through cost reductions or increased income over the life of the MTFS. 	

Note, the 10% reduction in Option 1. above of £1.9 million, is based on 2012/13 forecast subsidy expenditure at May 2012.

DCLG in their paper, Localising Council Tax Support – Funding arrangements consultation, have indicated local authorities could choose to manage the reduction through use of reserves.

This Option would also require a more general consultation linking CTS to the Government 10% reduction in funding for CTS.

Options 2, 3, 4 and 5 directly Impact on Council Tax Benefit Claimants

Option 2. impacts on all working age claimants.

Option 2	
Restrict council tax liability across each band to 80% for working age claimants in order to make 10% reduction.	
Reduction: £1.9 m	Contingency: 0%
Risks: <ul style="list-style-type: none">• No contingency for increase in CTS claims.• Some council tax will have to be collected from all working age households.• Has a disproportionate effect on larger households as they have a higher base charge.• Does not protect vulnerable groups such as disabled households or those with children.	

Note, the 10% reduction in Option 2. above of £1.9 million, is based on 2012/13 forecast subsidy expenditure at May 2012.

In Option 2. council tax properties in bands A to H are all subject to 20% liability reduction for working age claimants. Pensioners are protected and CTB based on 100% liability. Council Tax Benefit is calculated in the same way as the current scheme except for the liability reduction.

It should be noted that Option 2. above fairly distributes the impact of the reduced budget across all of the CTS caseload but takes no account of disability or children in the household.

This option affects the full working age caseload which totals 10,313 claimants of which 6,954 are non working & 3,359 are working claimants.

A breakdown of the reduction against Approx Council Tax benefit reductions across the following working age groups:

£380k from 1884 in work claimants households

£430k from 2253 disabled claimant households

£260k from 1685 lone parents households

£830k from other non working households

Option 2 Statistical Data

Claim Category	Total Working Age Claims	Numbers Affected by Band	LA Saving/ Customer Loss £	Overall % Saving
Disabled (includes Blind, Disabled, Severely Disabled & Employment Support Allowance cases).	2253	A 412 B 644 C 700 D 387 E 85 F 18 G 7	£430K	2.3%
Lone Parents Child Under 5 (includes single claimants who have one or more children under 5 years)	1685	A 110 B 432 C 721 D 366 E 52 F 3 G 1	£260K	1.3%
Working 16hrs+ (includes all claimants & partner who are not in any of the above categories and who are working a combined 16hrs or more).	1884	A 155 B 364 C 679 D 545 E 115 F 24 G 2	£380K	2%
Everyone Else (includes the remainder who do not fit into any of the above 3 categories).	4491	A 806 B 1170 C 1451 D 837 E 176 F 32 G 7	£830K	4.4%
Totals	10313	A 1485 B 2612 C 3553 D 2137 E 430 F 79 G 17	£1.9million	10%

Option 3. impacts all working age claimants.

Option 3	
Calculate CTB entitlement and then reduce every working age claimant's award by 18%.	
Reduction: £1.8 mil	Contingency: NIL
Risks: <ul style="list-style-type: none">• No contingency for increase in CTS claims.• Could reduce incentive to move into work.	

Based on annual working age expenditure of £10,167,404 less 18%. Option 3. affects the whole of working age caseload, 10,313 claimants of which 6954 are non working & 3359 standard/working claims.

Option 3. makes it easy to change the scheme year on year as the percentage is amended in line with any changes to the grant allocation.

Option 3 Statistical Data

Claim Category	Total Working Age Claims	Numbers Affected by Band	LA Saving/ Customer Loss £	Overall % Saving
Disabled (includes Blind, Disabled, Severely Disabled & Employment Support Allowance cases).	2253	A 412 B 644 C 700 D387 E 85 F 18 G 7	£430,443	2.3%
Lone Parents Child Under 5 (includes single claimants who have one or more children under 5 years)	1685	A110 B 432 C 721 D 366 E 52 F 3 G 1	£296,248	1.6%
Working 16hrs+ (includes all claimants & partner who are not in any of the above categories and who are working a combined 16hrs or more).	1884	A 155 B 364 C 679 D 545 E 115 F 24 G 2	£276,012	1.5%
Everyone Else (includes the remainder who do not fit into any of the above 3 categories).	4491	A 806 B 1170 C 1451 D 837 E 176 F 32 G 7	£827,428	4.4%
Totals Based on £10,167,404 Working Age expenditure £19,177,833 total expenditure	10313	A 1485 B 2612 C 3553 D 2137 E 430 F 79 G 17	£1.8 million	9.8%

£1.8m Reduction- Approx. saving 9.8% Pensioners Protected
 Use current CTB scheme based on 100% of Council Tax liability.
 All claimants will have to pay at least 18% of their Council Tax liability even if receiving Income Support or Job Seekers Allowance.

NB Option 3 gives very similar outcomes to Option 2. The difference being Option 2 reduces amount of Council Tax Liability eligible for benefit and CTB scheme remains unchanged. Alternatively, Liability remains at 100% and CTB is reduced by an agreed percentage after the benefit calculation to achieve any saving.

Option 4. impacts all working age claimants.

Option 4	
Maximum award would be restricted to an average band D award. Increase benefits taper to 65%. Premiums set at 2011 rates Increase non-dependant deductions as follows: £0.00 to £00.00 * £2.85 to £15.00 £5.70 to £20.00 £7.20 to £28.00 £8.60 to £35.00 Makes for 19% reduction for working age Remove second adult rebate	
Reduction: £1.8 mil	Contingency: £0.18 mil
Risks: <ul style="list-style-type: none">• This will be a complex scheme to operate.• Resources to administer the scheme would remain high without the support of the current administration grant.•	
Comments: <ul style="list-style-type: none">• Affords greater protection to claimants who are on welfare benefits• Clg calc• Complex scheme	

Option 4 requires a range of system parameter changes to enable the 10% reduction to be taken from working age claimants.

*Under the current benefit rules, non-dependant deductions are based on the gross income of the non-dependant. However, where the non-dependant is in receipt of and out-of-work benefit, the deduction remains at zero in line with the current scheme.

Very approximately, the reduction of £1.8million is taken from 6,954 non working claimants (£800k) and 3,359 standard/working claimants (£1m).

A more complex Council Tax benefit calculation is required for Option 6. as changes have been made to the actual benefit calculation. The taper is brought in line with the proposed Universal Credit and Housing benefit calculation, increasing from 20% to 65%. Please see the Glossary Appendix attached for a detailed explanation of terms.

It should also be noted that the large increases in the non dependant charge particularly impacts on those claimants with other adults living in the property. In two of the examples above, both claimants would be subject to the highest deduction and as a result would lose all of their benefit entitlement.

Option 4 Statistical Data

Description	Numbers Affected	No. cases All CTB lost	Annual LA Saving/Customer Loss £	Overall % Saving
1.Restriction to average Band D Benefit Award (£20.57) NB. Actual Band D Liability 2012/13 £28.94.	All Working Age: Band A 1512 Band B 2652 Band C 3648 Band D 2265 Band E 467 Band F 85 Band G 15	15 lose all CTB across all Bands	Total £729,352 A £0.00 B £28,353 C £181,116 D £284,076 E £166,192 F £65,652 G £15,080	4%
2.Increase Non Dependant Deductions: £0.00 to £0.00 £2.85 to £15.00 £5.70 to £20.00 £7.20 to £28.00 £8.60 to £35.00	1113	623	£479,636	3%
3.Increase Tapers (currently 20%) (a) 65% (as HB)	All Working Age caseload 10313	1362	£838,760	4%
Total for option 6 combinations when entered into CLG tool			£1.8 million	10%

Option 4 Combination of 1, 2 & 3a with premiums & allowances at 2011 rates.

Please note very high non dependant increases will penalise a very small group of claimants who would disproportionately lose benefit entitlement, including those receiving Income Support or Job Seekers Allowance. The increase was used for illustrative purposes to show the amount of saving that would have to be made if using this particular combination to achieve £1.8 million saving.

The table below illustrates the impact of smaller non dependant charge increases and smaller Taper increases, some of which have been used in Option 5.

Increase non dependant deductions	Numbers Affected	No. cases All CTB lost	Annual LA Saving/Customer Loss	Overall % Saving
(b) £2.85 to £6.00 £5.70 to £9.00 £7.20 to £15.00	1113	108	£210,704	1%

£8.60 to £20.00				
(c) £2.85 to £5.00 £5.70 to £8.00 £7.20 to £11.00 £8.60 to £15.00	1113	56	£135,356	>1%
Increase Tapers (currently 20%)	All Working Age caseload			
(b) 55%	10313	1205	£764,920	4%
(c) 45%		1021	£659,776	3.5%
(d) 35%		747	£494,780	3%
(e) 30%		550	£377,000	2%

CLG Data Analysis Tool- Data March 2012. Please note that the above figures cannot be exact and are for guidance only. Due to the complexity of the data, individual claimant group totals will not match the overall saving of 1.8 million.

Option 5. impacts all working age claimants.

Option 5	
Maximum award would be restricted to the average benefit in Band D. Remove second adult rebate. Increase benefits taper to 30%. Increase non-dependant deductions: £00.0 to £00.0* £2.85 to £6.00 £5.70 to £9.00 £7.20 to £15.00 £8.60 to £20.00 Reduce premiums by 18%	
Reduction: £1.8 mil	Contingency: £0.18 mil
Risks: <ul style="list-style-type: none">• Non-dependants disappear overtime	
Comments: <ul style="list-style-type: none">• Working claimants affected more than JSA/IS claimants because the taper on applies to them.• Easier to collect council tax from working claimants	

*Under the current benefit rules, non-dependant deductions are based on the gross income of the non-dependant. However, where the non-dependant is in receipt of and out-of-work benefit, the deduction remains at zero in line with the current scheme.

In work claimants will receive less support because the taper applies to the earned income. It will also be easier to collect the Council Tax from claimants in work.

The saving of £1.8 million for Option 5 is taken from 6,954 non working claimants (£700k) and 3,359 working claimants (£1,1m).

Option 5 Statistical Data

1.Restriction to average Band D Benefit Award (£20.57) NB. Actual Band D Liability 2012/13 £28.94	All Working Age: Band A 1512 Band B 2652 Band C 3648 Band D 2265 Band E 467 Band F 85 Band G 15	15 lose all CTB across all Bands	Total £729,482 A £0.00 B £28,366 C £181,116 D £284,076 E £166,192 F £65,652 G £15,080	4%
2. Increase Non dependant deductions: £2.85 to £6.00 £5.70 to £9.00 £7.20 to £15.00 £8.60 to £20.00	1113	108	£210,704	1%
3.Increase Tapers (currently 20%) 30%	All Working Age caseload 10313	550	£377,000	2%
4. Reduce 2011 Premiums by: (a) 18%	10313	1362	£664,508	3.5%
Total for option 7 combinations when entered into CLG tool			£1.8 million	10%

For comparison, the table below illustrates the saving made when the 2011 premiums are reduced by 10% as opposed to 18% above:

	Numbers Affected	No. cases All CTB lost	Annual LA Saving/ Customer Loss	Overall % Saving
Reduce 2011 Premiums by 10%	10313	268	£368,888	2%

CLG Calculator Tool – Data March 2012. Please note that the above figures cannot be exact and are for guidance only.

Options 6 and 7 directly impact on the wider Council Tax Collection

The Government issued a consultation paper entitled Technical Reforms of Council Tax in October 2011. Some of the proposals in the paper are contained within the Local Government Finance Bill. These could be used to deliver alternative savings.

Option 6. impacts people with second homes.

Option 6	
Increase council tax for certain properties in line with the Council Tax Technical Reforms for 2013.	
Reduction: £1.8 mil	Contingency: NIL
Risks: <ul style="list-style-type: none">• No incentive for taxpayers to tell us about these properties which would be second homes so savings reduced. On Class C exemptions alone, this could be as much as £951k lost if taxpayers advise empty properties are occupied by a single person.• Fraud implications would require consideration.• Certain exemptions could be abolished and additional income lost.• Customers may feedback strong concerns• No contingency for increase in CTS claims.• The proposed council tax reforms are contained in the Local Government Finance Bill and are potentially subject to amendment. The bill is due to have it's second reading in the House of Lords on 12 June 2012.• No contingency for increase in CTS claims•	

Council Tax Technical Reform supports Option 6. and describes in detail how a reduction of £1.8 million can be achieved by making maximum use of the discretions to decrease discounts and exemptions from the Council Tax Technical Reforms.

This option has no impact on claimants. It also has no impact on the majority of taxpayers with one home. It could assist bring properties into use and occupation in line with new homes agenda.

To calculate the reduction, 2011/12 figures have been used as the basis for this option. It can be noted from Council Tax Reform Appendix that 7,287 properties would be affected which include properties which are second homes, undergoing major repair, unoccupied and unfurnished, long term empty properties and repossessed properties.

This option also has many variables would could be dissected and coupled with another option.

Option 6 Statistical Data

Category	Current Reduction	Proposed Reduction	No of Properties Qualifying in 2011/12	Value in 2011/12 of Exemption or Discount (inc. GLA precept)	Potential Additional Income From Changes (based on 98.00% collection)
Second Homes	Discretionary discount between 10% and 50% Havering currently give 10%	Range of discretion to be between 0% and 50%.	716	£46,798 (10% discount)	£46k if set at 0%
Exemption Class A – empty and undergoing major repairs/structural alterations	100% up to a maximum of 12 months	Discretionary discount between 0% -100%.	317	£177,794	<i>12-month period:</i> £0k if set at 100% £44k if set at 75% £87k if set at 50% £131k if set at 25% £174k if set at 0%
Exemption Class C – unoccupied and unfurnished	100% up to a maximum of 6 months	Discretionary discount between 0% and 100%.	5712	£1,293,903	<i>6-month period:</i> £0k if set at 100% £317k if set at 75% £634k if set at 50% £951k if set at 25% £1,268k if set at 0% £555k if set at 75% £793k if set at 50% £1,030k if set at 25%

Category	Current Reduction	Proposed Reduction	No of Properties Qualifying in 2011/12	Value in 2011/12 of Exemption or Discount (inc. GLA precept)	Potential Additional Income From Changes (based on 98.00% collection)
					£1,268k if set at 0% (assumed 75% occupied within 3 months so additional savings only generated by remaining 25%)
Long term unoccupied and unfurnished (after expiry of 6 months class C exemption)	Discretionary discount between 0% and 50% Havering currently give 0%	Discretion to charge an Empty Homes Premium of up to 50% (i.e. charge 150%) on properties unoccupied and unfurnished for more than 2 years.	464	None – no discount awarded	£295k if set at 150%*
Mortgagees in Possession - Class L	100% with no time limit	Class L to be abolished	78	£42,207	£41k
Total additional revenue					£1.824k

Option 7. impacts all residents in the borough not claiming maximum CTS (approx 87,000 households)

Option 7	
Pass on the 10% reduction by increasing the council tax charge for every taxpayer by £22 per year.	
Reduction: £1.85 mil	Contingency: 0%
Risks: <ul style="list-style-type: none">• No contingency for increase in CTS claims	

DCLG in their paper, Localising Council Tax Support – Funding arrangements consultation, have indicated local authorities could choose to manage the reduction using flexibility over council tax. However, significant increases in Council Tax could trigger a referendum, which would have its own considerations.

Assumes 20% of taxpayers are claimants and their increase will be covered by CTS and so a total additional CTS of £440k is assumed and rounded to £500k. Total CTS expenditure re-forecasted from £18. million to £18.5 million, therefore, 10 % reduction is £1.85 million.

Option 7 would affect the majority of households in the borough and the calculation uses 100,000 for ease of calculation.

An impact analysis is provided below.

Please note the second table, Option 7a, reflects the current scheme for comparison.

Option 7b below is a variation of Option 7 making a saving of only £1 million but can be used in combination with elements from other options.

Option 7 - 1.27% increase. Covers the £1.9m shortfall in CTS but no allowance for increased CTS payable due to the increase in Council Tax liability.

Option 5 - Proposed Council Tax Amounts to raise additional £1.9m (gross & rounded up)

Band	@	A	B	C	D	E	F	G	H	Total
Amount of Council Tax	£845.00	£1,014.00	£1,183.00	£1,352.00	£1,521.00	£1,859.00	£2,197.00	£2,535.00	£3,042.00	
No. of Props per CTB1*	3.60	2,871.70	6,647.70	20,003.10	31,542.00	16,852.90	8,421.50	4,737.50	513.00	91,593.00
Debit raised	£3,042.00	£2,911,903.80	£7,864,229.10	£27,044,191.20	£47,975,382.00	£31,329,541.10	£18,502,035.50	£12,009,562.50	£1,560,546.00	£149,197,391.20
Annual incr for Tax Payer	£10.61	£12.73	£14.86	£16.98	£19.10	£23.34	£27.59	£31.83	£38.20	£1,873,550.41

Option 7a- no increase. The 10% reduction in Council Tax Support (£1.8m) would have to be met from elsewhere eg reserves.

Option 5a - Current Council Tax Amounts

Band	@	A	B	C	D	E	F	G	H	Total
Amount of Council Tax	£834.39	£1,001.27	£1,168.14	£1,335.02	£1,501.90	£1,835.66	£2,169.41	£2,503.17	£3,003.80	
No. of Props per CTB1*	3.60	2,871.70	6,647.70	20,003.10	31,542.00	16,852.90	8,421.50	4,737.50	513.00	91,593.00
Debit raised	£3,003.80	£2,875,337.49	£7,765,473.82	£26,704,583.01	£47,372,929.80	£30,936,119.51	£18,269,695.67	£11,858,752.08	£1,540,949.40	£147,323,840.79

Option 7b - 0.74% increase. Covers £1.0m of the £1.8m shortfall in CTS but no allowance for increased CTS payable due to the increase in Council Tax liability.

Option 5b - Proposed Council Tax Amounts to raise additional £1.0m (gross & rounded down)

Band	@	A	B	C	D	E	F	G	H	Total
Amount of Council Tax	£840.56	£1,008.67	£1,176.78	£1,344.89	£1,513.00	£1,849.22	£2,185.44	£2,521.67	£3,026.00	
No. of Props per CTB1*	3.60	2,871.70	6,647.70	20,003.10	31,542.00	16,852.90	8,421.50	4,737.50	513.00	91,593.00
Debit raised	£3,026.00	£2,896,588.07	£7,822,865.63	£26,901,946.93	£47,723,046.00	£31,164,757.19	£18,404,720.39	£11,946,395.83	£1,552,338.00	£148,412,658.04
Annual incr for Tax Payer	£6.17	£7.40	£8.63	£9.87	£11.10	£13.57	£16.03	£18.50	£22.20	£1,088,817.25

@ reflects the number of band A properties who receive a disability band reduction.

*CTB1 figures as at October 2011

Please note that none of the above increases allow for additional income to be generated other than to cover the cost of the CTS scheme.

Option 5b could be combined with elements of another option to make the full savings.

Option 8. impacts working age claimants and people with second homes

Option 8

Restrict the maximum council tax support award to the top of band D, £28.94.
Increase non-dependant deductions from:

£00.0 to £00.0*

£2.85 to £6.00

£5.70 to £9.00

£7.20 to £15.00

£8.60 to £20.00

Increase council tax for certain properties in line with the Council Tax
Technical Reforms for 2013 as follows:

Remove the second homes discount completely (currently 10%).

Amending the Class A exemption (Empty and undergoing major structural
repairs) to a 25% discount for a maximum of 12 months.

Removing the Class C exemption (unoccupied and unfurnished) completely.

Taking the savings from the abolition of Class L (mortgagees in possession).

Reduction: £1.8 mil

Contingency: NIL

Risks:

- Non-dependants may disappear over time to avoid a reduction in support.
- No incentive for taxpayers to tell us about these properties which would be second homes so savings reduced. On Class C exemptions alone, this could be as much as £951k lost if taxpayers advise empty properties are occupied by a single person.
- Fraud implications would require consideration.
- Certain exemptions could be abolished and additional income lost.
- Current debate around Housing Associations receiving a Class C exemption that may be able to transfer their exemption from Class C class B.
- No contingency for increase in CTS claims.
- The proposed council tax reforms are contained in the Local Government Finance Bill and are potentially subject to amendment. The bill is due to have it's second reading in the House of Lords on 12 June 2012.
- No contingency for increase in CTS claims.

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*Under the current benefit rules, non-dependant deductions are based on the gross income of the non-dependant. However, where the non-dependant is in receipt of an out-of-work benefit, the deduction remains at zero in line with the current scheme.

Option 8 uses a combination of restricting the maximum council tax support to a weekly band D charge of £28.94, non dependant deductions and reductions in property exemptions.

All claimants (approximately 500 households) residing in properties banded E, F and G are likely to be affected by restricting benefit to Band D Claimants.

In total, a very small number, 123 claimants will be affected by this option when compared to the working age benefit caseload of 10,313.

Proposals in the Local Government Finance Bill are optimized above to make the majority of savings to offset the Government's 10% reduction in expenditure. The Local Government Finance Bill continues to make its way through the Houses of Parliament.

Option 8 Statistical Data

Description	Numbers Affected	No. cases All CTB lost	Annual LA Saving/Custom er Loss £	Overall % Saving
a. Restriction to Actual Band D Liability 2012/13 £28.94	All Working Age: Band A 0 Band B 0 Band C 0 Band D 0 Band E 467 Band F 85 Band G 15	15	Total £75k A £0.00 B £0.00 C £0.00 D £0.00 E £40k F £26k G £9k	>1%
b. Increase Non dependant deductions: £2.85 to £6.00 £5.70 to £9.00 £7.20 to £15.00 £8.60 to £20.00	1113	108	£211k	1%
Exemption Category	Current scheme	LGF Bill Proposal	Potential Additional Income £	No. of properties affected
c. Second homes	Discretionary discount of 10%.	Range of discretion between 0% and 50%. Havering propose 0%.	46K	716
d. Exemption Class A – empty and undergoing major repairs/structural alterations	100% up to a maximum of 12 months	Discretionary discount between 0% and 100%. Havering propose 0% over 12 months.	174k	317
e. Exemption Class C – unoccupied and unfurnished	100% up to a maximum of 6 months	Discretionary discount between 0% and 100%. Havering propose 0%.	1.268k	5712
f. Mortgagees in possession Class L	100% no time limit	Abolition. Havering propose 0%	41k	78
Total			1.815k	

Elements a. and b. of Option 8 above have been calculated using the CLG Calculator which means the applicable amounts and non dependants deductions used in the base are 2011/12 figures.

In addition, to estimate the savings from the Council Tax Technical Reform which is currently passing through the House of Parliament as part of the Local Government Finance Bill, 2011/12 full year data set has been used.