

Explanatory Memorandum to the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2012.

This Explanatory Memorandum has been prepared by the Local Government Finance & Performance Division and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2012. I am satisfied that the benefits outweigh any costs.

Carl Sargeant

Minister for Local Government & Communities, one of the Welsh Ministers

12 December 2012

Description

1. This statutory instrument sets out the practical framework within which council tax reduction schemes will operate in Wales after the abolition of the current council tax benefit system.
2. The statutory instrument makes provision for local authorities to adopt council tax reduction schemes which incorporate a limited range of discretionary elements to provide support for council tax.
3. In line with the provisions in the Local Government Finance Act 2012 (the Act) which amend the Local Government Finance Act 1992, the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2012 (the prescribed requirements regulations) and the Council Tax Reduction Schemes (Default Scheme) (Wales) Regulations 2012 (the default scheme regulations) will govern the introduction and operation of council tax reduction schemes in Wales.
4. The default scheme regulations will set out the scheme that will take effect in an authority's area if it fails to adopt its own scheme in compliance with the prescribed requirements regulations. In effect, the prescribed requirements regulations require local authorities to provide for the exact same matters within their schemes as the default scheme regulations would impose upon them should they come into effect in their area. However, the prescribed requirements regulations also permit certain local discretions which are detailed in paragraph 62. The prescribed requirements regulations also set out a number of procedural provisions including the processes an authority must follow when adopting, revising or replacing its scheme. The content of this explanatory memorandum draws heavily on that provided for the default scheme regulations.

Matters of special interest to the Constitutional and Legislative Affairs Committee

5. Because of the length and technical complexity of the regulations, the timeframes within which they have been compiled and the fact that they draw on council tax benefit regulations for which there is no existing translation, it has not been possible to arrange for the Regulations to be provided in Welsh.
6. The timescales also mean that it has not been possible for the Committee to scrutinise these regulations between their being laid and considered by the Assembly. For this reason their period of applicability will be limited to the financial year beginning 1 April 2013, by the sunset clause in regulation 1(3).
7. Regulation 1(4) also places a duty on Welsh Ministers to publish a new draft set of regulations on or before 1 January 2014 that will make provision for subsequent financial years.
8. The practical effect of the sunset clause in regulation 1(3), and the duty to publish a new set of draft regulations by 1st January 2014 in regulation 1(4), is to ensure that Welsh Ministers will bring forward subsequent regulations in good time, to enable full scrutiny of future schemes to take place in good order for their introduction.

Legislative background

9. Section 9 and Schedule 4 of the Local Government Finance Act 2012 inserts a new Section 13A and new Schedule 1B into the Local Government Finance Act 1992. This provides Welsh Ministers with executive powers to introduce council tax reduction schemes in Wales, via regulations.
10. The relevant provisions in the Local Government Finance Act 2012 were subject to a Legislative Consent Motion which was approved by the National Assembly for Wales on 26th June 2012. The Local Government Finance Act 2012 received Royal Assent on 1 November 2012.
11. This statutory instrument is being made under the new section 13A, new Schedule 1B to the Local Government Finance Act 1992, it will place a duty upon local authorities to introduce schemes that are to apply in their areas specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of person, considered to be in financial need. The Regulations prescribe the matters that local authorities must and must not include within their schemes and prescribe the discretionary components which local authorities may adopt.
12. The instrument is subject to approval of the Assembly (the affirmative procedure).

Purpose and intended effect of the legislation

13. The Welfare Reform Act 2012 contains provisions to abolish Council Tax Benefit from 31 March 2013. From this date the responsibility to provide support for council tax and the funding associated with it, will be devolved to local authorities in England, to the Scottish Government and to the Welsh Government
14. The Welsh Government wants to ensure that a single national framework scheme is introduced to provide a consistent level of support across Wales, whilst enabling modest local discretion for local authorities to respond to their local circumstances. Therefore provisions were sought in the Local Government Finance Act 2012 (the Act) to provide Welsh Ministers with executive powers to introduce council tax reduction schemes in Wales.
15. In accordance with the provisions in the Act, two sets of regulations will detail the operation of council tax reduction schemes in Wales and these are designed to ensure that all local authorities introduce some form of council tax support.
16. Subject to the approval of the National Assembly for Wales:
 - One set of regulations will prescribe requirements for local schemes to be made by individual local authorities in Wales, as well as specifying a number of areas of local discretion ('the prescribed requirements regulations'); and
 - The other set of regulations will prescribe the 'default' council tax reduction scheme, which will take effect if councils do not adopt their own schemes.
17. This statutory instrument relates to the regulations setting out the prescribed requirements.

18. The approach to calculating council tax reductions under these regulations reflects that in existing SI 2006/215 (the Council Tax Benefit Regulations 2006) and SI 2006/216 (the Council Tax Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006).

19. These regulations provide the following:

Definitions of key words and phrases

Scheme procedural requirements in relation to local authorities

20. The regulations impose a duty on local authorities to make a council tax reduction scheme specifying the reductions that are to apply to the amounts of council tax payable by persons specified in the scheme. The scheme is required to be made no later than 31 January 2013. Under the regulations, the responsibility for making the scheme rests with the full council and is not to be a responsibility of an executive of an authority.

21. The regulations provide that an authority's scheme must set out the reduction to which classes of persons are to be entitled. In addition the regulations require that a scheme must state the procedure for applying for a reduction under the Act or under a scheme and for appealing against an authority's decision in relation to entitlement or the amount of reduction under a scheme.

22. The regulations impose an obligation on authorities to consider whether to revise or replace schemes and stipulate the period within which any such changes to a scheme are to be made.

23. Provision is also made in the Regulations for the Welsh Ministers to serve a notice on an authority requiring information for the purpose of the Welsh Ministers exercising or deciding whether to exercise any function relating to schemes.

24. The regulations enable local authorities to make a reasonable charge for the supply of documents relating to schemes.

The procedure for reduction applications and appeals

25. The regulations allow an application to be made in writing, by means of electronic communications, or where the authority has published a telephone number for the purpose of receiving such applications, by telephone.

26. The regulations also set out the procedure by which a person may make an appeal against the decisions of the authority under the council tax reduction scheme, and provide for persons who are still aggrieved, or who have not received a response from the authority within two months of an appeal being made, to appeal to the Valuation Tribunal Wales.

27. As with the operation of council tax benefit the regulations also set out the procedure by which a person can apply to an authority for a discretionary reduction under section 13A(1)(c) of the 1992 Act

The classes of person who are entitled to a reduction under the scheme

28. There will be four classes of person entitled to a reduction under the scheme:

- Class A: Pensioners whose income is less than the applicable amount.
- Class B: Pensioners whose income is greater than the applicable amount.
- Class C: Persons who are not pensioners whose income is less than the applicable amount.
- Class D: Persons who are not pensioners whose income is greater than the applicable amount.

29. The applicable amount is the amount that the Government says that the claimant and their family need to live on each week. The components that make up the applicable amount are detailed in paragraph 35.

The classes of person who are excluded from this scheme

30. The regulations apply the same restrictions that exist under the council tax benefit system to exclude foreign nationals with limited immigration status and non-economically active EEA individuals who are not exercising EU treaty rights from receiving council tax reductions.

31. However the regulations allow the established practice of allowing those who have recognised refugee status, humanitarian protection, discretionary leave or exceptional leave to remain granted outside the immigration rules and who are exempt from the Habitual Residence Test, to be entitled to apply for a council tax reduction provided that their status has not been revoked.

32. The regulations also replicate the existing provisions from the council tax benefit regulations in relation to other classes of person that are to be excluded from entitlement to a reduction under the scheme, namely: persons treated as not being in Great Britain, persons subject to immigration control and students.

33. The regulations in relation to persons who are to be treated as being in Great Britain are also replicated from the current council tax benefit regulations

The matters that determine eligibility for a reduction and the amount of reduction under the scheme

34. The determination of the class an individual is put into, and the reduction they will receive, will continue to be determined through means-testing, according to the same rules and criteria that are currently used under council tax benefit regulations.

35. However due to the reduction in funding being provided by the UK Government the maximum reduction in their council tax liability that a claimant will be entitled to is 90%. Paragraphs 75 and 76 sets out how this has been calculated.

36. The means test is defined in the regulations, aligned with existing regulations for council tax benefit for those of state pension age and working age (SI 2006/215 and SI 2006/216).
37. The means test is based on a comparison of income (as defined in the regulations) and the applicable amount (a living allowance). An individual's applicable amount will continue to be made up of four elements:
- A personal allowance in respect of the applicant;
 - An amount in respect of any child or young person who is part of the applicant's family;
 - A family premium element (where the applicant is part of a family of which at least one member is a child or young person); and
 - Any premium amount, as set out in the regulations, which is applicable to the applicant.
38. The elements and calculation methodology for the applicable amount will be as set out under the existing regulations for council tax benefit (SI 2006/215 and SI 2006/216).
39. Where wider welfare reforms necessitate amendments to recognise any new benefits, such as the introduction of the Personal Independence Payment which replaces Disability Living Allowance for new claimants in April 2013, any technical amendments will be made by the Welsh Government.

How income and capital of the claimant, and others, should be treated when calculating entitlement to a reduction under the scheme, including cases where an applicant or their partner has an award of Universal Credit

40. Income and capital will be calculated for an applicant in line with existing provisions in the council tax benefit regulations (SI 2006/215 and SI 2006/2).
41. The income and capital of an applicant's partner (or, to mitigate the risk of over-claiming in a polygamous marriage, partners) will continue to be treated as income of the applicant. Income or capital of any child or young person will also continue not to be treated as income or capital of the applicant.
42. The regulations also allow a billing authority to treat the income or capital of a non-dependant (someone who is aged over 18 and who normally lives with the claimant for example adult son, daughter, relative or friend) as if it were the income or capital of the applicant in a case where it appears to the billing authority that the two have entered into arrangements to take advantage of the system. There is an exception to this rule for those on income related jobseekers allowance and income related employment and support allowance.
43. There will be special treatment of income and capital for those in receipt of state pension credit:
- For those in receipt of the guarantee credit element of state pension credit, the whole of their income and capital will be disregarded.

- For those in receipt of the savings credit element of state pension credit, the billing authority will be able to use the Department for Work and Pensions' Pension Service's assessment of income and capital of the individual, and adjust this to take into account income from this benefit and any other relevant requirements.

44. Provisions in the regulations that relate to income, the calculation of income on a weekly basis, what is to be regarded as income, and what is to be disregarded as income, replicate the operation of council tax benefit.

45. In relation to income, wider welfare changes mean new working age benefits will be introduced to replace some of the existing working age benefits mentioned in SI 2006/215 and SI 2006/216 for example Disability Living Allowance will be replaced by Personal Independence Payments.

46. New applicants will be migrated onto these benefits over time, so both benefits will co-exist for a number of years (for example Universal Credit migration will take place over a five year period). Where such benefits are mentioned in these regulations, an equivalent approach for an individual on the new benefit will be identified and agreed with the Department for Work and Pensions.

47. Provisions relating to capital, what is to be regarded as capital, what is to be disregarded as capital and other capital calculations will operate the same way as existing SI 2006/215 and SI 2006/216 regulations.

The application of the scheme to students

48. Matters relating to the application of the scheme to students will be dealt with in the same way as they currently are under the existing council tax benefit regulations.

Extended reductions

49. The regulations set out that an individual who is approaching pension credit eligible age:

- And who is in receipt of council tax reduction and not in receipt of working age benefits (income support, income related jobseeker's allowance, income related employment and support allowance),
- Or whose partner has claimed state pension credit,

will continue to receive an extended payment of their council tax reduction for a period of four weeks.

50. The regulations also set out that a person who is entitled to a reduction under the scheme will be entitled to receive an extended payment of their council tax reduction for a period of four weeks, where the applicant or the applicant's partner was entitled to a qualifying income related benefit for a continuous period of at least 26 weeks and entitlement to this benefit ceased because the applicant or the applicant's partner:

- Commenced employment as an employed or self-employed earner;
- Increased their earnings from such employment; or
- Increased the number of hours worked in such employment.

51. If a person moves to the area of a new billing authority during the extended reduction period then the first billing authority will pay the second billing authority or the individual their reduction amount for the extended reduction period.

52. If the person applies for a council tax reduction in the second billing authority, the second billing authority will net off the reduction amount received from the first authority. Any balance of reduction award will be paid to the applicant. After the extended reduction period ends, the first billing authority's liability in relation to extended payments will cease and the new billing authority's reduction will apply.

Period of entitlement and changes of circumstances

53. While the regulations retain the existing council tax benefit provisions in relation to:

- Date on which a change of circumstances is to take effect; and
- Changes of circumstances where state pension credit is in payment;

54. Where possible these provisions have been simplified, to reduce the administrative impact on local authorities and to simplify the process for claimants, so that the majority of changes are effective from the date on which they actually occur.

55. The regulations also replicate current arrangements for a person to act on behalf of another for example where a person has been granted power of attorney over a liable council tax payer.

Award or payment of reduction

56. Matters relating to the time and manner of granting relief and persons to be paid will be dealt with in the same way as they currently are under the existing council tax benefit regulations.

Treatment of Universal Credit

57. The regulations contain provisions about applicants with an award of universal credit (an individual or a couple). For the applicable amount of such applicants the amount of the maximum award calculated for the purposes of universal credit is used. This ensures that there is a consistent approach between the amount that universal credit determines a person needs to live on and the amount that council tax reduction schemes assume a person needs to live on.

58. The income assessment made by DWP for universal credit will be reused, with the universal credit payment itself being included as 'income'. The treatment of income and earnings between universal credit and the default scheme will be aligned as far as possible. Any disregards of income (not already taken into account under universal credit) will be adjusted for.
59. Applicants will lose 20p for every £1 of income over and above their applicable amount, subject to any earnings disregards that may be applied under the scheme.
60. Taking into account universal credit as income in the way set out above supports positive work incentives by mitigating the risk of having high marginal deduction rates. (A marginal deduction rate is the proportion of any increase in earnings which is lost due to tax or reduced benefit payments.)
61. As detailed above, the regulations continue to provide for support to be tapered away at a rate of 20 per cent for every additional pound of income (universal credit plus universal credit-assessed) over and above the applicable amount once any additional disregards have been applied under a council tax reduction scheme. Since the 20 per cent council tax support taper applies to the universal credit income which has already been tapered by 65 per cent, marginal deduction rates cannot exceed 100 per cent and will instead be around 81 per cent, taking into account a person's tax and national insurance contributions.
62. A number of income and hours rules previously applicable under council tax benefit for benefits that universal credit is replacing, no longer apply for recipients of universal credit under these regulations. Under council tax benefit these rules controlled the way income was calculated and made staged adjustments (extended payments) at points where income increased – for example, due to a return to work).
63. Whilst these measures did provide some support for work incentives, the extended taper in universal credit provides better support smoothed over a longer period, meaning claimants will not experience 'cliff edges' and their household income will always increase if they have increased earnings.

Areas of local discretion available under the prescribed requirements Regulations

64. In adopting a council tax reduction scheme, a local authority can choose to implement a number of areas of local discretion. These are more generous than the minimum requirements set out in the prescribed requirements regulations or default scheme regulations, allowing authorities to respond to local needs and priorities, provided that these areas of discretion are locally funded. The areas of local discretion permitted under the regulations are:
- Extended reduction period – local authorities have the ability to extend this period beyond the standard 4-week period;
 - War Disablement Pensions and War Widow's Pensions – local authorities are able to disregard more than the statutorily prescribed for £10 of the monies received in respect of these pensions when calculating income;

- Backdating for working age claimants – local authorities have the ability to backdate claims for beyond the standard period;
- Notifications of decision – local authorities are free to provide more than the minimum information prescribed as part of their notification of decisions procedures.

Consultation

65. The details of the consultation undertaken are included in the RIA below.

PART 2 – REGULATORY IMPACT ASSESSMENT

Options

Option 1 – Do nothing

66. If no action was taken then once council tax benefit is abolished from 31st March 2013, via provisions in the Welfare Reform Act 2012, Welsh Ministers will have no legal powers to introduce a new scheme to provide assistance to households in meeting their council tax bills. This means that the approximately 300,000 claimants currently receiving council tax benefit would be required to pay their council tax bill in full.

Option 2 - Draft regulations based on a reform of the existing council tax benefit system

67. Given the extremely challenging timescales and the complex nature of the existing scheme, to minimise the risks of not having a new scheme in place prior to the abolition of council tax benefit, the draft regulations could be broadly based on the existing council tax benefit system. Though it should be noted that amendments will be required as social security is not a devolved matter and therefore any new scheme cannot be a benefit but must operate as a reduction in council tax liability as part of the council tax system.

Costs & benefits

Option 1 – Do nothing

68. If no action was taken to develop a new scheme, then none of the administrative or transition costs for the Welsh Government or local government of operating a new scheme, set out under option 2 below, would be incurred.

69. Furthermore the funding being transferred from the UK Government to the Welsh Government following the abolition of council tax benefit could be used to support other policy initiatives. The funding that will be transferred for 2013-14 and 2014-15 is £222m and £223m respectively.

70. However if no form of assistance in meeting council tax bills is provided then the current recipients of council tax benefit in Wales (approximately 330,000) would be expected to meet their council tax bills in full – as at May 2012 the average

council tax benefit award in the UK was £15.76 per week which equates to £819.52 per annum.

71. Given that CTB is an income-related benefit for those on low incomes this is likely to cause severe financial hardship for CTB recipients. As a result demand for advice and support from local advisory bodies and other third sector organisations would rise which would increase the costs incurred by these organisations. There could also be an increased number of applications to local authorities for hardship assistance or an increased incidence of homelessness.
72. As it is unlikely that a recipient currently receiving a CTB award of 100% would be able to pay their full council tax bill, there would be an impact on local authorities' collection rates and consequently the funds that local government has available to deliver its local services. This could also result an increase in council tax in future years.
73. There would also be significant costs for local government as a result of increased collection and enforcement activity.

Option 2 - Draft regulations based on a reform of the existing council tax benefit system

74. It should be noted that all of the costs outlined below result from the UK Government's decision to abolish council tax benefit and to reduce the funding available to provide future support. While discussions are still ongoing between the Welsh Government, the Department for Work and Pensions (DWP) and HM Treasury regarding the funding transfer there has been no confirmation that any funding will be provided to meet the new costs associated with establishing and running a new scheme.

Costs to Current Recipients

75. As the regulations reduce the level of assistance that is provided to claimants, in line with the funding shortfall being transferred by the UK Government, by only rebating a fixed percentage of a claimant's council tax liability, in the future those claiming support under the council tax reduction scheme will have to pay a proportion of their council tax bill.
76. The funding shortfall has been calculated as £22 million based on the latest estimates of expenditure for 2012-13.
77. This has been calculated by deducting the funding transfer from the cost of council tax benefit in Wales in 2012-13: £244 - £222 million.
78. After adjusting for the changes incorporated into the new scheme for 2013-14, this equates to setting the maximum level of council tax liability which can be rebated as 90%
79. As a result claimants will on average lose an estimated £67 of support in 2013-14.

80. However as the maximum level of support available is reduced before entitlement to a reduction under the scheme is calculated, the taper (the rate at which support is withdrawn above a certain income) is not reduced by the same proportion. The effect of this is that a claimant currently on the taper (ie. those not passported onto CTB by a contributory benefit) could experience a greater percentage reduction in the level of assistance they receive than passported claimants.

81. While this means the impact is proportionally more for claimants not passported onto CTB (approximately 30% of claimants in Wales) it means that those who have the lowest incomes ie. those that are passported onto CTB, will experience a smaller monetary reduction in support than if a flat rate reduction in support was applied after entitlement had been calculated. Therefore it is a less regressive option.

Transition Costs

82. The additional costs of moving from the existing council tax benefit system to a new scheme are set out in the table below, based on estimates received from Local Government, and previous exercises of a similar nature

Item	Details	One-off Costs	Recurrent Costs
IT System Alterations for new scheme	3 software suppliers are used by local authorities in Wales. Each authority's system will have to be altered for the new scheme.	The average cost per authority is £50k-70k. This equates to a Wales wide cost of £1.1m - £1.54m.	Estimated recurrent cost is 10% of one-off costs (standard charging tariff for software suppliers) £100k-£154k
Modelling software	To analyse the impact of the preferred scheme and any future amendments.	The cost of access to the system for two years is £140k. Agreement that in the first year this will be jointly funded by local Govt and Welsh Govt.	N/A
Training	LA Staff Training – for new scheme (inc. appeals & fraud) and software operation	£110k	N/A
Publicity	Publicising new scheme via a range of media channels:- – Mail shots – Website	£110k	N/A

	– Council newspapers		
Total Costs:		£1.46m - £1.9m	£100k-£154k

Administration Costs – Local Government

83. In the first year of the scheme DWP has stated that the existing administration subsidy arrangements will continue with funding provided directly to local authorities to cover the administration costs of both Housing Benefit and Council Tax Support.

84. There will be a 5% reduction in the main administration funding provided by DWP in 2013-14 however the additional recessionary funding provided to cover the increase in caseload during the downturn will be reduced by approximately 50% due to improving economic circumstances.

85. The approximate figures for the main administration funding and the additional recessionary funding are £21.8m and £1.08m respectively.

Administration Costs – Welsh Government

86. There will be costs for the Welsh Government in relation to the implementation, maintenance and monitoring of the new scheme. The Welsh Government has asked that such costs be provided for in the funding transfer from the UK Government in recognition of this new responsibility arising from a UK policy decision. If such provision is not forthcoming, the costs will need to be met through the reprioritisation of resources within the Local Government and Communities Departmental Running Costs.

Other Costs

87. There will be costs associated with the fraud and enforcement arrangements and the appeals process for the new scheme however these will be detailed in the Regulatory Impact Assessment for the regulations covering these matters.

Indirect Costs

Impact on Council Tax Collection Rates and Collection Costs

88. Due to the reduction in funding available, the new scheme will mean that approximately 70% of current CTB claimants in Wales will have to pay council tax for the first time and as a result local authorities are expecting that their council tax collection rates could fall and the costs of collecting this additional council tax could rise. Individual estimates from local authorities suggest that dependent on the local authority area collections rates are expected to fall between 0%-1.5%.

Impact on Advisory Services and Third Sector Organisations

89. As approximately 70% of claimants have never previously paid council tax and will now be expected to pay a proportion of their council tax bill there is likely to be an increase in demand for advice and assistance from advisory services and

other third sector organisations. However the separate funding streams that currently fund Advisory Services in Wales are being consolidated and a review is being undertaken to ensure that Advice Services are aligned to meet the demand from the Welfare Reform changes.

Benefits

90. Through the implementation of council tax reduction schemes, current CTB claimants will continue to receive financial assistance in meeting their council tax bills. This will avoid the financial hardship and the associated costs listed under option one of requiring people on the lowest incomes to pay their council tax bill in full.

Sectors

91. Local Government and the Voluntary Sector have been consulted during the development of proposals to introduce council tax reduction schemes in Wales. This is detailed in the Consultation section.

92. This legislation will not affect the Business Sector.

Duties

93. In drafting these regulations consideration has been given to Welsh Minister's duty to promote equality and eliminate discrimination. A detailed Equality Impact Assessment has been undertaken and is provided at **Annexe A** and an assessment of the policy in relation to the United Nations Convention on the Rights of the Child has also been undertaken (this is included as an annexe to the EIA).

94. The council tax reduction scheme will be implemented and operated by local authorities who are under general duties to comply with Welsh Language and Sustainable Development duties.

Consultation

95. A consultation on the policy and delivery options for the development of a new scheme to provide council tax support was sent to:

- Chief Executives, Leaders and Finance Directors of County and County Borough Councils in Wales
- Welsh Local Government Association
- Welsh Police Forces
- Local Taxation Working Group Members
- Institute of Revenues, Rating and Valuation
- Society of Welsh Treasures
- Children's Commissioner
- Older Person's Commissioner
- End Child Poverty Network
- Citizen's Advice Bureau and other Advisory Services
- Community Housing Groups, Tenants Associations & Housing Providers
- Members of the Welsh Government's Welfare Reform Officials Group who circulated the consultation to stakeholders likely to have an interest in the consultation

96. The consultation was also published on the Welsh Government's website. 32 responses were received and a summary of consultation responses is provided at **Appendix D** to the Equality Impact Assessment provided at Annexe A.

97. Of the questions in the consultation directly relevant to the drafting of these regulations the following responses have been directly incorporated:

- All respondents to the question were supportive of the development of a national framework scheme;
- Most respondents preferred only a limited amount of local flexibility to ensure a consistent approach across Wales;
- The majority of respondents suggested that basing the new scheme on the existing council tax benefit scheme would provide a certain degree of protection for vulnerable groups by giving them a higher premium;
- More than half of the respondents who replied to the question on the vulnerable groups expressed significant concern that a decision to protect any group or groups would increase the hardship for other claimants as it could result in a greater reduction in support for them;
- Providing run-ons was the preferred approach to support work incentives (these are provided for as extended reductions in the regulations).
- While the majority of respondents offering suggestions on how the funding shortfall could be managed preferred the application of an equal cut in support for all claimants, a number of responses pointed out that those that could least afford a reduction in support should not be disproportionately burdened and that there should be a careful balance between how passported and non-passported claimants are treated under a new scheme.

98. Local Government practitioners have been involved throughout the drafting of these regulations and informed a number of simplifications that have been made.

99. A technical consultation and a copy of the draft Regulations was published on the Welsh Government we-site and was sent to:

- Members of the Welsh Government's Welfare Reform Officials Group who circulated the consultation to stakeholders likely to have an interest in the consultation
- Members of the Local Taxation Working Group
- Welsh Local Government Association
- Chief Executive of the Valuation Tribunal Wales
- Citizen's Advice Bureau and other Advisory Services
- Community Housing Groups, Tenants Associations & Housing Providers

100. Nineteen responses were received and as a result a number of amendments were made to the regulations including:

- Technical amendments to update cross-references to existing regulations;
- Revision of Regulation 107 date on which an application is made;
- Revision of Regulation 114 notification of decisions;

101. In response to feedback received regarding proposed changes to the regulations it was also decided not to make amendments to the current

arrangements that allow Child Maintenance Payments to be fully disregarded from income calculations when assessing entitlement to a reduction.

Competition Assessment

102. This has been scored against the competition filter test which indicated that there will be no detrimental effect on competition.

Post implementation review

103. As a result of the impact of wider welfare reform changes and the current uncertainty around the level of funding that will be provided by the UK Government to operate council tax reductions schemes in Wales, this legislation will have to be reviewed in 2013-14 to consider any amendments required for 2014-15.

Annexe A - Equality Impact Assessment (EIA)

Part 1

Please use this template to help determine whether an equality impact assessment (EIA) is required.

Policy title:	Providing Council Tax Support
Name of official:	Jo Valentine
Department:	Local Government & Communities
Date:	5 December 2012
Signature:	J Valentine

Overview of UK Government's Policy Decision to Abolish Council Tax Benefit and the Welsh Government's Policy Response

Background

In the Spending Review 2010, the UK Government announced that it would localise support for council tax from 2013-14. It also announced that the funding to provide this support would be reduced by 10% and moved from a demand-led Annually Managed Expenditure to a Department Expenditure Limit budget¹, meaning that the future provision of council tax support will have to be managed within a fixed budget.

The Welfare Reform Act 2012 contains provisions to abolish council tax benefit in its current form across Great Britain. From 31 March 2013 council tax benefit will come to an end and the responsibility for providing support for council tax and the funding associated with it, will be passed to local authorities in England, to the Scottish Government and to the Welsh Government.

Therefore the Welsh Government, in partnership with local authorities in Wales, has to develop and implement a new scheme to provide council tax support by 1 April 2013

The current council tax benefit system

Council tax benefit (CTB) is designed to provide support to those with low income and savings with their council tax liability: it either fully covers or effectively reduces a household's council tax bill.

Currently local authorities administer council tax benefit in accordance with national criteria set by the Department for Work and Pensions (DWP) and they are reimbursed by the DWP for support provided in this way.

As at May 2012, there were over 330,000 recipients of CTB in Wales. This means that around a quarter of the households in Wales currently receive support with their council tax.²

Development of a new scheme to provide council tax support

The Welsh Government has some flexibility regarding the design and implementation of a new scheme to provide support with council tax to those on low incomes or in vulnerable groups in Wales. However the new scheme is subject to the following significant and inexorable constraints:

- It must be operable within the legal powers of the Welsh Government. These powers specifically exclude the operation of any kind of benefit scheme or system because 'social security' remains a non-devolved matter;

¹ Departmental Expenditure Limits are firmly planned budgets and are fixed over a number of years therefore spending must be contained within the funding provided.

² This is based on the total number of chargeable dwellings in Wales of 1327012 in 2010/11 [<http://www.statswales.wales.gov.uk/TableViewer/tableView.aspx>]

- It must be viable and sustainable within the reduced level of funding provided by the UK Government, with demand for support being managed within a fixed budget which is expected to continue to be reduced in real terms; and
- It must be deliverable by 1 April 2013, although it will be subject to subsequent development, due to the introduction of other welfare reforms and the abolition of CTB from 31 March 2013.

In considering the development of a new scheme and following consultation and research, Welsh Ministers also agreed that in addition to the constraints above, the new scheme should also observe the following parameters:

- Be a single nationally-defined scheme to provide a consistent level of support to claimants across Wales;
- Provide a small number of discretionary elements, similar to those available under the current CTB scheme, to allow local authorities to respond to their differing local circumstances (provided that the costs of any local variation are locally funded);
- Be based on a reform of the current CTB system – at least in the first year – to ensure that the operational risks are managed and that support can continue to be provided after April 2013 given the extremely challenging timetables; and
- Where possible, simplify the existing complex arrangements.

In order to develop proposals for a new scheme, the Welsh Government has been working alongside key service delivery partners in local government to make the best use of the knowledge and expertise that exists in Wales. We have also maintained close links with counterparts in DWP, the Department for Communities and Local Government and the Scottish Government. This work, along with responses to the consultation on the policy and delivery options for the new scheme, and independent research commissioned from the Institute for Fiscal Studies was developed into an options paper for Cabinet that was considered in June 2012.

Rebating a fixed percentage of a claimant's council tax liability

This Equality Impact Assessment focuses on the policy option endorsed by Cabinet, namely that the new scheme should rebate a fixed percentage of a claimants' council tax liability. This means that all claimants will have to pay some council tax. However the equality impacts of the other options considered by Cabinet are set out in **Appendix A** for comparative purposes.

This option was selected because it spreads the reduction in support, in line with the reduced funding available, across the widest group thereby minimising the impact on individual claimants. This option is also less regressive than some of the options considered as it results in a smaller monetary reduction in support for those currently in receipt of 100% CTB.

As the policy option selected by Cabinet reduces the maximum level of support available before entitlement is calculated, it does not reduce the taper (the rate at which support is withdrawn above a certain income for claimants who are not passported onto CTB and therefore only receive partial CTB) by the same proportion. The effect of this is that a claimant currently on the taper could experience a greater percentage reduction in the level of assistance they receive than passported

claimants. If a claimant is currently at the top end of the taper they could cease to receive any support.

However while this impacts proportionately more on non-passported claimants who only receive a partial CTB award (approximately 30% of claimants in Wales), it means that those who have the lowest incomes will experience a smaller monetary reduction in support than if a flat rate reduction in support was applied after entitlement had been calculated rather than before.

The illustrative example below shows the difference between the two approaches for a claimant in receipt of partial CTB:

(1) Existing Position with CTB

(a) Council tax liability	£20.00
Income above applicable amount	£60.00
Taper reduction at 20%	-£12.00
(b) CTB awarded	£8.00
(a)-(b) Amount of council tax due	£12.00

(2) Chosen option – Rebating a fixed percentage of support (example with 90% max)

(a) Council tax liability	£20.00
(b) Max amount of support at 90%	£18.00
Income above applicable amount	£60.00
Taper reduction at 20%	-£12.00
(c) Council Tax Support awarded	£6.00
(a)-(c) Amount of council tax due	£14.00

(3) Reducing support available (example with 10% cut)

(a) Council tax liability	£20.00
Income above applicable amount	£60.00
Taper reduction at 20%	-£12.00
(b) Support before 10% reduction applied	£8.00
(c) Council Tax Support with 10% cut	£7.20
(a)-(c) Amount of council tax due	£12.80

Funding for the new scheme to provide council tax support

The Welsh Government is making every effort to secure a fair funding transfer to Wales from the UK Government and negotiations are still ongoing with HMT and DWP regarding the funding transfer for the new scheme.

As well as the funding the cost of the support itself, this means receiving fair and accurate administrative funding and adequate cover for the new burdens that introducing this scheme will place on the Welsh Government and local authorities in Wales.

DWP has recently advised local authorities across Great Britain that the existing administration subsidy arrangements will continue for 2013-14 with a 5% reduction.

Based on subsidised CTB expenditure forecasts for 2013-14 and 2014-15, following the Autumn Statement on 5th December, HMT has indicated that the respective funding transfers to provide council tax support will be £222m and £223m.

For Wales, the proposed transfer for 2013-14 represents a shortfall of at least £22m compared to CTB expenditure outturn figures for 2011-12 – this is before increases in caseload during 2012-13 and expected increases in 2013-14 are factored in.

1. We have a legal duty to engage with people with protected characteristics under the Equality Act 2010 (please refer to Annex A of the EIA guidance) identified as being relevant to the policy. What steps have you taken to engage with stakeholders, both internally and externally?

A consultation on policy and delivery issues for a new scheme to provide council tax support was published in February and sent to key stakeholders for their attention. In total 32 responses were received from individuals, representative bodies, local government and the Children's Commissioner, the Information Commissioner, Age Cymru, Save the Children, Shelter Cymru, Llamau, Carers Wales, Citizens Advice Bureau, and the End Child Poverty Network.

There is a Steering Group in place with key stakeholders from the Welsh Government and local government and membership of this group will be reviewed as the work progresses. The Steering Group is supported by a range of other networks including the Society of Welsh Treasurers, Distribution Sub Group, Local Taxation Working Group and WLGA Advisors Group.

The work to develop a new scheme also reports to the Ministerial Welfare Reform Task and Finish Group, and the supporting officials' groups, to ensure that the impacts of the wider welfare reforms are taken into consideration. To date three key stakeholder events have been held by the Ministerial Task and Finish Group.

A detailed communications plan is to be developed and this will ensure that there is effective communication and engagement, both with key stakeholders in the delivery of the new scheme, such as advisory services, and those who will be affected by the abolition of Council Tax Benefit and introduction of a new scheme to provide council tax support.

There will also be a number of technical consultations on the draft sets of regulations required to bring the new scheme into effect.

2. Your decisions must be based on robust evidence. What evidence base have you used? Please list the source of this evidence eg. National Survey for Wales

The Welsh Government commissioned a specific piece of independent research from the Institute for Fiscal Studies to look at the possible reforms to develop a new scheme to provide council tax support and their impact in Wales.

This can be accessed at:

<http://www.ifs.org.uk/publications/6204>

This research report complements the analysis undertaken by the Institute for Fiscal Studies, in association with the Joseph Rowntree Foundation, looking at the impact of possible reforms at a UK level.

This can be accessed at:

<http://www.ifs.org.uk/publications/6183>

Welsh Government analysts have also conducted an in-house review of existing research and publications related to council tax benefit and characteristics of households in Wales to help determine the likely impact of reforms on protected groups.

This is available at **Appendix B**.

A consultation on policy and delivery options for a new scheme in Wales was undertaken in February 2012, and used to inform the design of the new scheme. A summary of the consultation responses, as well as the Welsh Government's response can be accessed below:

This is available at **Appendix D**.

An assessment of the policy in relation to the United Nations Convention on the Rights of the Child has been undertaken.

This is available at **Appendix E**.

The impact assessment undertaken by the Department for Communities and Local Government on Localising Council Tax Support in England can be accessed at:

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

The Equality Impact Assessment undertaken on the Welsh Government's draft budget is available at:

<http://wales.gov.uk/topics/equality/inclusivepolicy/impactassessments/draftbudget13EIA/?lang=en#>

The Welsh Government's Ministerial Task and Finish Group for Welfare Reform has commissioned a programme of work to assess the impact of the UK Government's welfare reforms. The Stage 1 report is available at:

<http://new.wales.gov.uk/topics/educationandskills/publications/reports/analysingrefor.ms/?skip=1&lang=en>

It is important to note any opportunities you have identified that could advance or promote equality.

Impact

Please complete the next section to show how this policy / decision / practice could have an impact (positive or negative) on the protected groups under the Equality Act 2010 (refer to the EIA guidance document for more information).

Lack of evidence is not a reason for *not* progressing to the EIA report stage. Please highlight any gaps in evidence that you have identified and explain how you intend to fill these gaps.

5.1 Do you think this policy / decision / practice will have a positive or negative impact on people because of their age?

Age	Positive	Negative	None	Reasons for your decision (including evidence) / How might it impact?
Younger people (Children and young people, up to 16)		x		<p>As households with children account for 31% of expenditure on Council Tax Benefit (CTB), a reform to rebate a fixed percentage of a claimants' council tax liability, in line with the UK Government's cut in funding, will have a negative impact on these households as they will have to pay a percentage of their council tax bill.</p> <p>This reform affects the lowest three income decile groups proportionately more than other decile groups and, as WISERD analysis (see Appendix B) shows that household incomes are lowest among lone parents in Wales, it will have a negative impact on households containing children and young people. However those affected in the lowest income decile groups will lose a smaller monetary amount of support than under a number of other options considered.</p> <p>Protecting these households within the main funding for the new scheme to provide council tax support would</p>

Age	Positive	Negative	None	Reasons for your decision (including evidence) / How might it impact?
Working Age People		x		<p>significantly disadvantage other claimants, some of whom are also protected groups, because the reduction in funding would be spread across a smaller group of claimants meaning greater reductions for individual claimants.</p> <p>While council tax benefit is being abolished, in its first year the new system will be closely based on the existing system and under this scheme households with children receive both a higher living allowance and a higher award premium (see Appendix C - description of award calculation).</p> <p>Working age households account for 60% of current expenditure and as all claimants will have to pay a proportion of their council tax bill they will experience some negative impact as a result of the reduction in funding.</p> <p>Due to the approach chosen and its interaction with the taper (described on pages 4-5) those in receipt of partial CTB, for example those in low earnings employment, will lose proportionately more support than those currently on 100% support. However this is a less regressive option for those passported onto CTB (approx 70% of current claimants) as it means that they will experience a smaller monetary reduction in support than they would under the alternative options.</p>

Age	Positive	Negative	None	Reasons for your decision (including evidence) / How might it impact?
Older people (those of state pension age)		x		<p data-bbox="963 300 1426 701">As households containing a pensioner account for 40% of expenditure on CTB, a reform to rebate a fixed percentage of a claimants' council tax liability, in line with the UK Government's cut in funding, will have a negative impact on these households as they will have to pay a percentage of their council tax bill.</p> <p data-bbox="963 741 1426 1211">Protecting these households within the main funding for the new scheme to provide council tax support would significantly disadvantage other claimants, some of whom are also protected groups, because the reduction in funding would be spread across a smaller group of claimants meaning higher reductions for individual claimants.</p> <p data-bbox="963 1252 1426 1585">While council tax benefit is being abolished, in its first year the new system will be closely based on the existing system and under this scheme households with pensioners receive both a higher living allowance and a higher award premium (see Appendix C).</p> <p data-bbox="963 1626 1426 2054">Due to the approach chosen and its interaction with the taper (described on pages 4-5) those in receipt of partial CTB, for example pensioners with a small amount of income in addition to Pension Credit, will lose proportionately more support than those currently on 100% support. However this is a less regressive option for those on 100% CTB</p>

Age	Positive	Negative	None	Reasons for your decision (including evidence) / How might it impact?
				<p>(approx 70% of current claimants) as it means that they will experience a smaller monetary reduction in support than they otherwise would as a result of this.</p> <p>The Welsh Government also provides a grant of £4m to provide help to pensioners in meeting their council tax bills. This scheme will be continued in 2013-14 although it is being reviewed to ensure that a consistent approach to providing support is applied across Wales.</p>

5.2 Because they are disabled?

Statistics relating to council tax benefit claimants are not collected on the basis of specific impairments and therefore it is only possible to determine whether those in receipt of a disability benefit will be adversely impacted or not.

Impairment	Positive	Negative	None	Reason for your decision (including evidence) / How might it impact?
Those in receipt of a disability related benefit ³		x		<p>Households containing an adult receiving a disability benefit account for 57% of expenditure on CTB, therefore a reform to rebate a fixed percentage of a claimants' council tax liability, in line with the UK Government's cut in funding, will have a negative impact on these households as they will have to pay a percentage of their council tax bill.</p> <p>54.4% of working-age disabled people in Wales</p>

³ Disability Living Allowance, Attendance Allowance, Severe Disablement Allowance, Incapacity Benefit, Income Support with a disability premium, or Employment and Support Allowance.

Impairment	Positive	Negative	None	Reason for your decision (including evidence) / How might it impact?
				<p>are not in employment, and those that are in employment tend to have lower earnings than those who are not disabled. As a result some claimants in receipt of CTB and a disability benefit are more likely to be in one of the lowest three income groups who are affected proportionately more by this reform.</p> <p>However these income decile groups will lose a smaller monetary amount of support than under a number of other options considered.</p> <p>While council tax benefit is being abolished, in its first year the new system will be closely based on the existing system and under this scheme households with adults receiving a disability benefit receive a higher award premium (see Appendix C).</p>

5.3 Because of their gender (man or woman)?

Gender	Positive	Negative	None	Reason for your decision (including evidence)/ How might it impact?
Male		x		<p>Single male households account for 24% of CTB recipients. Of those CTB recipients aged 65 years or over 20% are male. Therefore this group is likely to be negatively impacted because all claimants will be required to pay a proportion of their council tax bills.</p> <p>However a smaller proportion of male households will be affected than female households as female households are more likely to be in receipt of CTB.</p>
Female		x		<p>Single female (adult) households account for over half of CTB recipients in GB.</p> <p>Of those CTB recipients aged 65 years and over 53% are single female households.</p> <p>94% of lone-parent households in the UK in receipt of CTB are female households.</p> <p>WISERD analysis of Welsh income data shows that household incomes are lowest among lone parents and as CTB is an income-based benefit these households are likely to be in receipt of CTB.</p> <p>Furthermore 30% of childless women in single households in Wales are estimated to be in poverty.</p> <p>Given the proportion of female households in receipt of CTB</p>

Gender	Positive	Negative	None	Reason for your decision (including evidence)/ How might it impact?
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this group is likely to be negatively impacted because all claimants will be required to pay a proportion of their council tax bills as a result of the reduction in funding available.

5.4 Because they are transgender?

Council tax benefit is an income-based benefit with entitlement to support based on financial need. As minimal demographic data is collected it is not possible to undertake an assessment of the impact on this protected characteristic. There is also insufficient data to assess any indicative impact.

5.5 Because of their marriage or civil partnership?

Council tax benefit is an income-based benefit with entitlement to support based on financial need. As minimal demographic data is collected it is not possible to undertake an assessment of the impact on this protected characteristic. There is also insufficient data to assess any indicative impact.

5.6 Because of their pregnancy or maternity?

Council tax benefit is an income-based benefit with entitlement to support based on financial need. As minimal demographic data is collected it is not possible to undertake an assessment of the impact on this protected characteristic. There is also insufficient data to assess any indicative impact.

5.7 Because of their race?

Due to the small ethnic population in Wales it is not possible to provide an analysis based on separate ethnic groups. The Department of Work and Pension's own equality impact analysis of CTB on ethnic groups using GB wide data was only able to broadly categorise CTB recipients as 'White' and 'Ethnic Minority'.

Council tax benefit is an income-based benefit with entitlement to support based on financial need therefore an analysis of income levels by ethnic group can provide an indication of which ethnic groups are more likely to be in poverty and thus eligible to receive CTB. In addition aspects of the benefit calculation that relate to certain types of accommodation or household sizes may be more prevalent in certain ethnic groups.

Race	Positive	Negative	None	Reason for your decision (including evidence) / How might it impact?
Ethnic minority people eg. Asian, Black,		x		<p>Analysis by WISERD found that within Wales, people living in Black households are estimated to have the lowest equivalent median incomes.</p> <p>Whilst people living in Asian households also exhibit median incomes significantly lower than those of people living in white households.</p> <p>Levels of in-work poverty in Wales are twice as high in Black households, and three times as high in Asian households compared to the incidence observed in White households (13%).</p> <p>It should also be noted that there is a large degree of crossover between Housing Benefit (HB) recipients and CTB recipients and research shows that as the size of the house increases the proportion of HB recipients that are from an ethnic group also increases.</p> <p>This income analysis shows that some ethnic groups are more likely to be in poverty and thus eligible to receive CTB, as a result they will be negatively impacted by a reduction in support.</p>
White		x		<p>Statistics on low-income by ethnicity indicate that the proportion of people in the UK who live in low-income households is 20% for white people.</p> <p>As CTB is an income based</p>

Race	Positive	Negative	None	Reason for your decision (including evidence) / How might it impact?
				benefit a proportion of those households are likely to be in receipt of CTB and will therefore be impacted by a reduction council tax support provided.

5.8 Because of their religion and belief or non-belief?

Council tax benefit is an income-based benefit with entitlement to support based on financial need. As minimal demographic data is collected it is not possible to undertake an assessment of the impact on this protected characteristic. There is also insufficient data to assess any indicative impact.

5.9 Because of their sexual orientation?

Council tax benefit is an income-based benefit with entitlement to support based on financial need. As minimal demographic data is collected it is not possible to undertake an assessment of the impact on this protected characteristic. There is also insufficient data to assess any indicative impact.

5. 10 Do you think that this policy will have a positive or negative impact on people’s human rights and freedoms? *Please refer to point 1.4 of the EIA Guidance for further information about Human Rights.*

Human Rights	Positive	Negative	None	Reason for your decision (including evidence) / How might it impact?
Human Rights including Human Rights Act and UN Conventions			x	The available evidence does not suggest that the introduction of a new scheme to provide council tax support will have any specific impact on people’s human rights and freedoms.

6.0 Building on the evidence you have gathered, can you identify (a) any potential opportunities to advance / promote equality and (b) whether there is a positive or negative impact on fostering good relations?

Although mindful of the need to advance and promote equality and to foster good relations there are no opportunities to achieve this in the development of a new scheme to provide council tax support. However in developing a new scheme, care has been taken to ensure that it is as equitable as possible, with the reduction in funding being spread across the largest group of claimants, thereby minimising the impact on specific groups or individuals. It is also less regressive than the other viable options considered, as it results in a smaller average monetary reduction in support for the poorest claimants (those currently receiving 100% CTB).

7.0 Is a full Equality Impact Assessment required (if 'Yes' you must progress to part 2 of the template)

Yes

Equality Impact Assessment (EIA) Template – Part 2

An EIA has four possible outcomes and more than one may apply to a policy:

Outcome 1: No major change

The EIA demonstrates the policy is robust; there is no potential for discrimination or adverse impact. All opportunities to promote equality have been taken.

Outcome 2: Adjust the policy

The EIA identifies potential problems or missed opportunities. Adjust the policy to remove barriers or promote equality.

Outcome 3: Continue the policy (and justify why)

The EIA identifies the potential for adverse impact or missed opportunities to promote equality. Clearly set out the justifications for continuing with it. The justification should be included in the EIA and must be in line with the duty to have due regard. For the most important relevant policies, compelling reasons will be needed.

Outcome 4: Stop and remove the policy

The policy shows actual or potential unlawful discrimination. It must be stopped and removed or changed.

1. Building on the evidence you gathered and considered at the screening stage, please consider the following.

How could, or does, the policy help advance / promote equality of opportunity?
For example, positive measures designed to address disadvantage and reach different communities or protected groups?

The purpose of the scheme is to provide financial support for households in meeting their liability for council tax, based on their means. It is considered that there are no opportunities to advance or promote equality of opportunity. However without the development of a new scheme prior to the abolition of council tax benefit over 330,000 households who currently receive CTB would experience severe financial hardship.

How could / does the policy / decision help to eliminate unlawful discrimination, harassment or victimisation?

Available evidence does not suggest that the new scheme will have any impact on unlawful discrimination, harassment or victimisation.

Consider whether this will have any impact on advancing / promoting good relations and wider community cohesion? If so, what?

It is considered that there are no opportunities to advance or promote good relations and wider community cohesion.

2. Strengthening the policy

If the policy is likely to have a negative effect ('adverse impact') on any of the protected groups or community cohesion, what are the reasons for this? What practical changes could help reduce any negative impacts identified for at the screening stage?

Consider (for example) changes in communication methods, providing language support, collecting data or engagement activities

A new scheme has to be put in place to ensure that current claimants of CTB do not experience severe financial hardship once council tax benefit is abolished. However this new scheme is likely to have a negative effect on a number of protected groups because all current CTB recipients will be expected to pay a proportion of their council tax bill, as a result of the reduction in funding being provided by the UK Government.

While the funding discussions are still ongoing with the UK Government and will be finalised in the Autumn Statement the reduction will equate to at least £22m - although it could be more. While consideration has been given to making up this shortfall as part of the budget-setting process, the challenging budget from the UK Government means that the Welsh Government would not be in a position to do this without having to make significant funding cuts elsewhere. The scale of the shortfall is such that it would initially equate to funding nearly 600 fewer primary school teachers or more than 500 fewer nurses a year and these impacts would become more pronounced as the funding is expected to continue to decline in real terms.

Whether or not any specific vulnerable groups should be protected from a reduction in support within the main funding available for the scheme was a major consideration for the design of the new scheme. However given the number of current CTB recipients (over 330,000) and the scale of some of the protected groups – for example 57% in receipt of a disability related benefit, over 40% pensioners – it was assessed that this was not possible without disproportionately affecting other claimants (and other vulnerable groups). As a result no groups will be protected within the main funding of the scheme – an approach that was advocated by over 90% of the consultation responses.

However the Welsh Government currently operates a £4m grant scheme that provides pensioners with additional support in meeting their council tax bills. This grant scheme will continue in 2013-14 but it will be reviewed so that a consistent approach to the provision of support is provided to eligible pensioners across Wales.

A range of options for a new scheme were initially considered. However given the timing and legislative constraints mentioned above, it was decided that the operational design of the new scheme, at least in its first year, should be closely based on the existing council tax benefit scheme. This approach was strongly supported by responses to the consultation, not least because the current scheme already provides a degree of protection for vulnerable groups (see **Appendix C**). This also means that changes to the processes by which claimants apply for support will be kept to minimum during the first year of the scheme, allowing some time for other changes to bed in.

If the policy is likely to have a negative effect ('adverse impact') on any of the protected groups or community cohesion, what are the reasons for this? What practical changes could help reduce any negative impacts identified for at the screening stage?

Consider (for example) changes in communication methods, providing language support, collecting data or engagement activities

In developing the new scheme the Welsh Government has been working with local government practitioners who administer the current CTB scheme to identify simplifications that could be made to make the new scheme easier for claimants – for example removing the complex rules around the date of claiming support, or harmonising the rules for backdating claims for people of working age and pension age.

A co-ordinated programme of communications to raise awareness amongst those who will be affected by the new scheme is to be developed with local government. This will involve both national and local communication via a number of different channels. It will also include training for advisory bodies and other charities so that they are able to provide advice and support to claimants.

Our work in this area will also be supported by the Review of Advisory Services and the development of successor arrangements for the Social Fund. A priority for the review advisory services is to determine how best to mitigate the impact of cuts in advice services budgets just when demand for these services is increasing because of the economic climate and the UK Government's reforms of the benefit system. The future arrangements for the Social Fund in Wales, due to be devolved in April 2013, will have strong links with financial capability, money advice, income maximisation and affordable credit. This will ensure that the underlying problems faced by those on low incomes are addressed at the point of application, with relevant signposting to support to maximise income and organise finances better to help avoid repeat claims.

3. Making a decision

Summarise your findings and give an overview of whether the policy will meet the Welsh Government's responsibilities in relation to equality and human rights.

Although the new scheme to provide council tax support will have a negative impact on some protected groups, not putting a replacement scheme in place following the abolition of council tax benefit would have far greater negative consequences.

A range of evidence including independent research and consultation responses has been collected to assess the potential impact on protected groups to inform the development of the new scheme.

Having considered this evidence it is felt that the option chosen is the most equitable, as it spreads the impact across the largest number of claimants thereby minimising the impact on specific groups or individuals. It also results in the smallest average monetary reduction in support for the poorest claimants (those currently receiving 100% CTB), making it the least regressive of the options that are capable of being delivered given the constraints outlined in Part 1.

A number of measures are also being put in place to help mitigate the negative impacts of the new scheme. Therefore it is considered that the Welsh Government has met its responsibilities in relation to equality and human rights.

**What practical actions do you recommend to remove or mitigate any negative / adverse impact?
If no action is to be taken to remove or mitigate negative / adverse impact, please justify why.**

As specified above a range of actions are being taken to help to mitigate some of the adverse impacts of the new scheme.

They include:

- Defining a national scheme to provide a consistent level of support to claimants across Wales, but also providing a small amount of discretion for local authorities to respond to specific local circumstances;
- Not protecting any group within the main funding available for the scheme, so that the reduction in support is spread across the largest number of claimants to minimise the impact on individuals;
- Retaining the grant scheme to provide pensioners with support in meeting their council tax bills, but reviewing it to ensure that it is aligned with the new council tax support scheme;
- Simplifying a number of the existing complex regulations to make the scheme easier to understand;
- Developing a detailed communication plan with local government, and involving the third sector;
- Reviewing the provision of advisory services; and
- Developing new arrangements for the social fund in Wales.

4. Monitoring, evaluating and reviewing

How will you monitor the impact and effectiveness of the policy?

Please include the date the policy will be reviewed.

List details of any follow-up work that will be undertaken in relation to the policy (eg. consultations, specific monitoring etc).

A data-modelling tool has been procured in partnership with local government to model and monitor the impact of the new scheme at both an individual authority level and pan-Wales level.

Cabinet agreed that the scheme put in place for 2013-14 would be an interim arrangement. The scheme will need to be reviewed during 2013-14 to take account of the funding quantum for 2014-15 and the wider welfare reforms, notably the introduction of Universal Credit from October 2013. This will allow us to look at more fundamental reforms, for example altering discounts, which are not possible in the short term due to the need for primary legislation and the need to develop a system that takes local authorities' differing demographics and socio-economic circumstances into account and provides for a scheme that is sustainable in the longer term.

Give details of how the results of the impact assessment will be published, including consultation results and monitoring information if applicable.

The results of all impact assessments will be published on the Welsh Government's website.

The impact assessment will be included within the Explanatory Memorandum and Regulatory Impact Assessment that accompanies draft regulations when they are laid in the National Assembly for Wales.

The impact assessment will then be published on the Welsh Government's website and will be made available to the WLGA to publish on their website.

Consultation results and monitoring information will also be published on the Welsh Government's website.

5. Declaration

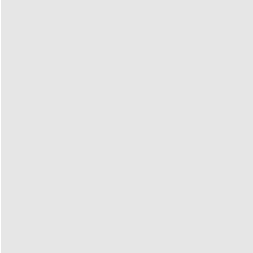
The policy does have a significant impact upon equality issues and does therefore require an EIA.

Official completing the EIA
Name:
Jo Valentine
Department:
Local Government and Communities Directorate
Date:
5 December 2012
Signature:
J Valentine
Head of Division (Sign-off)
Name:
Debra Carter
Job title and department:
Head of Local Government Finance and Performance Local Government & Communities Directorate
Date:
5 December 2012
Signature:
D Carter

Appendix A: Comparing Equality Impact Assessments for Options to Provide Council Tax Support

Option	Option 1: Across-the-board cut in support	Option 2: Refunding a fixed percentage of a claimant's council tax liability	Option 3: Restricting support to the level provided for a Band B property	Option 4: Removing entitlement to support from those in Bands E and above	Option 5: Increasing the taper rate from 20% to 30%	Option 6: Reducing the single-person discount
Description	All recipients would receive support for council tax under this proposal.	CTB would be less for this proposal. Similar to option 1, however as it does not proportionately reduce the taper, claimants will have a smaller reduction in support	Claimants in housing in Bands C and above would only receive the level of support provided for a Band B property	No claimant living in properties in Band E and above would receive any support	Increasing the rate at which support is withdrawn above a certain income threshold from 20% to 30%	This reform is different from the others proposed by the IFS as it affects all Council Tax payers entitled to the Single Person Discount, and not just CTB claimants.
Percentage of households losing	18%	18%	6%	1%	5%	25%
Reduction in numbers entitled to support	-1,000	-14,000	-20,000	-54,000	-46,000	+3,000
Average loss among losing households	£68	£68	£187	£968	£105	£50
Protected Characteristic: Age	Likely to impact negatively on pensioners as a high proportion receive CTB	Similar to option 1 but less of an impact on lower income group as entails a smaller reduction in support	This affects claimants living in properties in Bands C and above therefore it disproportionately affects pensioners and families with children who tend	This affects claimants living in properties in Bands E and above therefore it disproportionately affects pensioners and families with children who tend		Single pensioner households not entitled to, or not claiming CTB will be negatively impacted.

Option	Option 1: Across-the-board cut in support	Option 2: Refunding a fixed percentage of a claimant's council tax liability	Option 3: Restricting support to the level provided for a Band B property to live in larger properties	Option 4: Removing entitlement to support from those in Bands E and above to live in larger properties	Option 5: Increasing the taper rate from 20% to 30%	Option 6: Reducing the single-person discount
Disability	Likely to impact negatively upon disabled households as they are more likely to live in poverty	Similar to option 1 but less of an impact on lower income group as entails a smaller reduction in support			This will negatively impact on in-work claimants with a disability as they tend to have lower incomes and face higher living costs	
Gender	Likely to negatively impact female households (with & without children) as a high proportion receive CTB & a high proportion of single parent households which are typically poorer, are headed by women	Similar to option 1 but less of an impact on lower income group as entails a smaller reduction in support			This will affect working lone-parents which are more likely to be female households.	This will negatively impact upon single white male households as these households generally have the highest income and are not eligible for CTB
Race	Likely to impact negatively upon ethnic (Black &	Similar to option 1 but less of an impact on lower	Ethnic minority households may be negatively	Ethnic minority households may be negatively	Ethnic minority households are more likely to be	

Option	Option 1: Across-the-board cut in support	Option 2: Refunding a fixed percentage of a claimant's council tax liability	Option 3: Restricting support to the level provided for a Band B property	Option 4: Removing entitlement to support from those in Bands E and above	Option 5: Increasing the taper rate from 20% to 30%	Option 6: Reducing the single-person discount
Transgender Marriage or Civil Partnership Pregnancy or Maternity Religion & Belief or Non- belief Sexual Orientation	Asian) households as they have a higher risk of being in poverty	income group as entails a smaller reduction in support	impacted as 37% of households with five bedrooms or more receiving Housing Benefit are from an ethnic minority	impacted as 37% of households with five bedrooms or more receiving Housing Benefit are from an ethnic minority	in low-income work and are therefore likely to be negatively impacted.	
<p>Council tax benefit is an income-based benefit with entitlement to support based on financial need. As minimal demographic data is collected it is not possible to undertake an assessment of the impact on these protected characteristics. There is also insufficient data to assess any indicative impact.</p>						

Appendix B: Supporting information for an Equality Impact Assessment of new scheme to provide Council Tax Support in Wales

Introduction

Council tax and Council Tax Benefit (CTB) were introduced on 1 April 1993. Each property in England, Scotland and Wales was allocated to one of eight valuation bands according to an assessment of its value in 1991, though the cut-off points between bands were different in each country. In Wales a revaluation came into effect on 1 April 2005, based on property values as at 1 April 2003 and at the same time a ninth band was added (Band I).

Local authorities in Wales set the overall level of council tax by choosing a rate for Band D properties, with the levels for other bands then determined as ratios of the Band D rate. The ratios are set centrally by the Welsh Government. Those in the lowest band (A) pay two-thirds of the Band D rate, while those in the top band (I) pay 2½ times the Band D rate.

Just under 60 per cent of properties in Wales are in Bands A to C; fewer than 5 per cent fall in Band G or above.

CTB is received by over 330,000 claimants in Wales⁴, more than any other single means-tested benefit or tax credit. But it still reaches only about two-thirds of those for whom it is intended, as many are not aware they are entitled and/or find it too difficult or stigmatising to claim.

The UK Government's Welfare Reform Act will abolish Council Tax Benefit (CTB) from 1 April 2013. The UK Government is giving local authorities in England greater freedom in deciding how they help households on low incomes with their council tax bills, whilst devolved administrations are being given responsibility for developing new arrangements in their countries.

The UK Government is also accompanying this localisation of support with a 10 per cent cut in funding compared to estimated CTB expenditure for 2013-14 (ie. expected expenditure if CTB were not being abolished). Funding will also move from demand-led Annually Managed Expenditure to Departmental Expenditure Limit, meaning that any future fluctuations in demand will have to be managed within fixed budgets.

The cut in funding will inevitably mean that at least some current claimants of CTB will receive a reduced amount of support under a new scheme.

In their analysis of CTB reform options for Wales the IFS (2012)⁵ calculated that in 2010-11 spending on CTB in Wales was £238 million. The IFS estimated that a 10% cut in funding could equate to a shortfall of around £24 million relative to the cost of

⁴ Source DWP, Table 11: Council Tax Benefit recipients by Region and Local Authority and by Passported Status: May 2012: May 2012. Available at: http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_aug12.xls

⁵ Adam, S., and Browne, J. (2012). *Reforming Council Tax Benefit: Options for Wales*. London: Institute for Fiscal Studies. P. 4.

the current CTB system (however this will be greater if the cost of CTB is forecast to increase between 2010-11 and 2012-13).

That is equivalent to an annual cut of around £74 per CTB claimant or £17 per dwelling in Wales. It is worth noting that the actual funding transfer proposed by the DWP will be based on estimated 2013-14 expenditure, and discussions with the DWP have indicated that the shortfall could potentially be greater than 10%.

Passported Benefits

Claimants receiving a means-tested out-of-work benefit automatically qualify for maximum CTB, this is referred to as 'passporting'. Eligible out-of-work benefits for passporting are:

- Income Support
- Job Seekers Allowance (income based)
- Employment Support Allowance (income related)
- Pension Credit Guarantee Credit.

Those who are not 'passporting' on to full CTB in this way must undergo a separate means test, which compares the family's income with a centrally determined measure of minimum needs. If the family's income is below their assessed needs, they qualify for maximum CTB; otherwise their CTB is reduced by 20p for each £1 of income in excess of their assessed needs until their entitlement is exhausted.

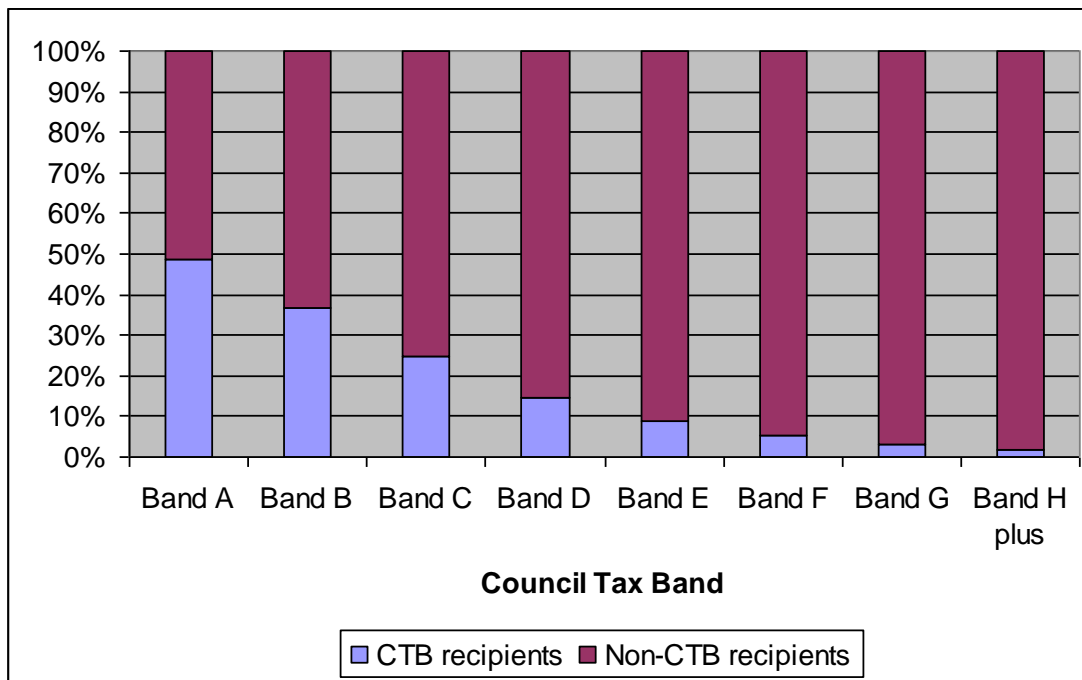
As at May 2012, there were 330,040 recipients of CTB (Source: Housing Benefit and Council Tax Benefit caseload)⁶. In Wales 230,640 (70 per cent) CTB recipients were passported, compared to 66 per cent passported in Great Britain.

Households in lower banded properties are more likely to be in receipt of CTB; in Wales, nearly half (49 per cent) of all households in council tax band A receive CTB – see **Figure 1**. Moving up the bands, the proportion receiving CTB falls. In the highest council tax bands (H and I) less than 2 per cent are in receipt of CTB. However, it is noteworthy that there are substantial numbers of households in higher council tax bands in receipt of CTB. Around 39 per cent of CTB recipients are in Band C and above.⁷

⁶ Summarised from Table 11: Council Tax Benefit recipients by Region and Local Authority and by Passporting Status: May 2012: May 2012. Available at: http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_aug12.xls

⁷ Local Government Finance Statistics for the period 2012-13 estimate that there are 327,180 chargeable dwellings in Wales.

Figure 1: Wales CTB recipients March 2012 and chargeable dwellings 2012-13.



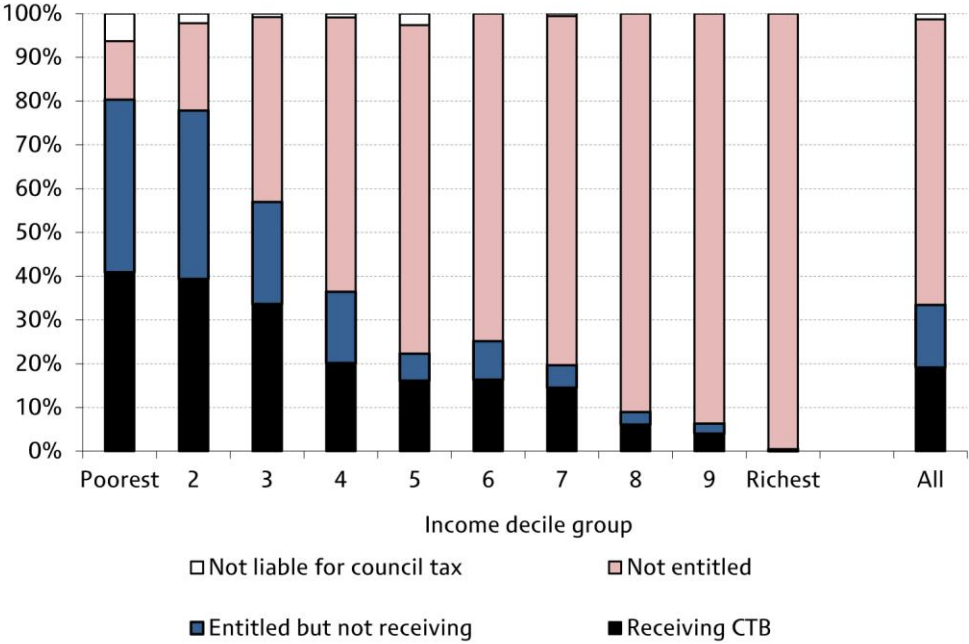
Source: Local Government Finance Statistics, Welsh Government and DWP (2012).

Very few working households receive CTB, with the exception of those that only have part-time workers (Clark, Giles and Hall, 1999)⁸. The majority of non-working or unemployed households receive CTB. However, the unemployed are a relatively small share of recipients as there are more recipients (in absolute terms) of pensioners, long term sick, disabled or ‘other not working’.

Analysis by the IFS (Adam and Browne, 2012) in **Figure 2** below looks at the proportion of households in Wales entitled to, and receiving, CTB by income decile. The IFS analysis shows that the proportion of households actually receiving CTB is higher among lower-income households, despite the fact that their take-up rates are lower: nearly half of those in the lowest income decile who are entitled to CTB are not receiving it. They argue that one of the reasons some households are in the bottom income decile in their analysis is because they do not claim the CTB to which they are entitled.

⁸ Clark, T., Giles, C., and Hall, J. (1999). *Does council tax benefit work?* London: Institute for Fiscal Studies.

Figure 2: Proportion of households in Wales entitled to, and receiving, CTB by income decile. (Source: Adam and Browne, 2012)⁹



Other possible explanations put forward by the IFS (Clark, Giles, and Hall, 1999)¹⁰ for why some of the lowest income groups do not receive CTB are:

1. Low weekly income is a poor proxy for poverty. Weekly income may fluctuate, especially for those reporting low incomes, as they might be self-employed. Therefore weekly data might not be representative of income averaged over a year. Analysis of expenditure (which in the long run should be roughly equal to income) may better reflect a household’s standard of living. Doing this, the IFS (Clark, Giles, and Hall 1999) found that CTB altered the council tax burden as a share of expenditure so that it was broadly proportional across the income distribution. This analysis suggests that CTB is relatively effective in smoothing the tax burden across income groups.
2. Awaiting receipt of CTB. In 1995-96 households who had applied for CTB but were yet to receive it were found to explain only a very small share of why CTB was unrecorded. It is unknown whether this explanation has altered in magnitude (smaller or larger) since the IFS carried out their research. However, given how minor this aspect is, even if it has increased, it is still unlikely to explain much of why low income groups do not receive CTB.

⁹ Adam, S., and Browne, J. (2012). *Reforming Council Tax Benefit: Options for Wales*. London: Institute for Fiscal Studies. P. 23.

¹⁰ Clark, T., Giles, C., and Hall, J. (1999). *Does council tax benefit work?* London: Institute for Fiscal Studies.

Table 1: Breakdown of Great Britain Council Tax Benefit recipients, by age (Source: DWP, 2012)¹¹

Age range	Count	%
16 - 24	306,120	5%
25 - 34	783,940	13%
35 - 44	926,410	16%
45 - 49	481,280	8%
50 - 54	414,460	7%
55 - 59	362,230	6%
60 - 64	447,730	8%
65 +	2,200,130	37%
All ages	5,922,410	100%

Table 2: Percentage breakdown of the population in Great Britain by age (Source: ONS, 2010 based National Population Projections for 2012)

Age range	Percentage of GB Population
16 - 24	14.4%
25 - 34	16.6%
35 - 44	16.4%
45 - 49	9.1%
50 - 54	8.2%
55 - 59	7.1%
60 - 64	7.0%
65 +	21.2%
All ages	100.0%

Table 3: Great Britain CTB recipient household type by age range (Source: DWP, 2012)¹²

Age range	Household type			Total
	Male	Female	Couple	
Under 25	57,200	205,060	41,670	306,120
25 - 34	154,710	446,450	179,020	783,940
35 - 44	230,270	454,850	237,780	926,410
45 - 49	146,990	219,750	113,040	481,280
50 - 54	135,330	176,810	101,120	414,460
55 - 59	119,310	149,150	92,900	362,230
60 - 64	137,320	174,830	134,760	447,730
65 +	439,470	1,173,170	585,110	2,200,130
Total	1,420,630	3,000,140	1,485,390	5,922,410

¹¹ Summarised from Table 15a: Council Tax Benefit recipients by Age Group and Family Type: May 2012. Available at: http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_aug12.xls

¹² Summarised from Table 15a: Council Tax Benefit recipients by Age Group and Family Type: May 2012. Available at: http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_aug12.xls

Note: Components may not sum to total due to (i) independent rounding (ii) exclusion of claimants with unknown age.

Although the IFS analysis (Clark, Giles and Hall, 1999)¹³ is dated, the situation has not changed significantly.

Tables 1 and 3 draw on data from the DWP for May 2012 which shows that in Great Britain (GB) people aged 65+ are still the biggest group of recipients (around 37 per cent). **Table 2** provides a breakdown of the population of Great Britain by age-range. **Table 2** shows that the percentage of 16-24 year olds claiming CTB is lower than the proportion in the population. This is not unexpected as we would expect a lower number of 16-24 year olds to be head of households than the older age groups. However, **Table 2** also shows that the proportion of CTB claimants aged 65 years plus is higher than their proportion in the population ie. they are disproportionately represented among CTB claimants.

Looking at gender, **Table 3** shows that single female households account for over half of all CTB recipients in Great Britain, with single male and couple households each accounting for approximately one quarter of the remaining CTB recipients in GB.

Table 3 shows that for certain age groups the difference in numbers between single male, single female and couple households is significant. In the under 25 years age group, there are nearly four times as many single female households (67 per cent of all under 25 years), as there are single male or couple households. This ratio drops as the age group increases, to just under three times for 25-34 years (57 per cent of all 25-34 years), roughly twice as many for 35-44 years (49 per cent of all 35-44 years), and one and half times for 45-49 years (46 per cent of all 45-49 years). From age 50 to 64 years, the ratio is nearer parity, although single female households are still greater in number. However, at age 65 years plus the ratio of single female households to single male and couple households increases again to just over two and half times as many single female households compared to single male households, and twice as many single female households compared to couple households (53 per cent of all 65 years plus).

Table 4: Single parent households in receipt of Council Tax Benefit by Age Group, Great Britain: May 2012 (Source; DWP, 2012)¹⁴

Age range	All single parent households	Male single parent households	Female single parent household	Female single parent households as per cent of total
Under 25	156,200	1,510	153,550	98%
25 - 34	390,230	10,570	377,380	97%
35 - 44	375,670	23,850	349,890	93%

¹³ Clark, T., Giles, C., and Hall, J. (1999). *Does council tax benefit work?* London: Institute for Fiscal Studies.

¹⁴ Summarised from Table 15a: Council Tax Benefit recipients by Age Group and Family Type: May 2012. Available at: http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_aug12.xls

45 - 49	125,490	12,650	112,270	89%
50 - 54	56,440	8,010	48,200	85%
55 - 59	18,570	3,890	14,610	79%
60 - 64	6,930	2,290	4,620	67%
65 +	5,710	1,970	3,730	65%
Total	1,135,270	64,730	1,064,280	94%

Table 4 shows that 94 per cent of all single parent households in Great Britain as at May 2012 were female. This ratio decreases as age increases. It is highest amongst the under 25 years age group, at 98 per cent, and remains above 92 per cent until the 45-49 years age group, where it drops to 89 per cent.

Data from the 2001 Census (National Assembly for Wales, 2004)¹⁵ shows that a much higher proportion of households in Wales headed by people of Mixed or Black origin were lone parent households (32 per cent and 28 per cent respectively), than those headed by other ethnic backgrounds. Lone parent households were least apparent amongst Indian headed households, where only 9 per cent contained a lone parent with dependent children.

Income and ethnicity in Wales

Due to the small ethnic population in Wales¹⁶ it is not possible to provide an analysis of the impact of the reform of CTB by separate ethnic groups in Wales. The Department of Work and Pensions' own equality impact analysis on CTB (DWP, 2010)¹⁷ which used data for Great Britain was only able to broadly categorise CTB recipients as 'White' and 'Ethnic minority'.

Table 5: Breakdown of Council Tax Benefit recipients in Great Britain by ethnicity.

Ethnicity	All CTB households	All non-CTB households	All households
White	90%	91%	91%
Ethnic minority	10%	9%	9%
All	100%	100%	100%

Notes: Based on three years of Family Resources Survey data (2005/6 to 2007/8). Ethnicity refers to the head of the benefit unit. All households include only those liable to pay Council Tax.

The DWP (2010) state that as entitlement to CTB is not linked to ethnicity, there is no direct impact to this equality group, but indirectly aspects of the benefit calculation that relate to certain types of accommodation or household sizes may be more

¹⁵ National Assembly for Wales. (2004). *SB53/2004 A Statistical Focus on Ethnicity in Wales*. Cardiff: National Assembly for Wales.

¹⁶ For working age population (ie. 16-64 years), the Welsh population is 95.5% White, and 4.5% Non-White. In contrast the figures for England are 86.5 per cent White and 13.5 per cent Non-White. Source: Annual Population Survey, Jan-Dec 2011.

¹⁷ DWP. (2010). *Retrospective equality impact assessment for Housing Benefit and Council Tax Benefit*. London: DWP.

prevalent in certain ethnic groups (see below for discussion on house size and ethnic group).

However, as CTB is an income-based benefit an analysis of income levels by ethnic group can provide an indication of which ethnic groups are more likely to be in poverty and thus eligible for receipt of CTB.

Statistics on low-income by ethnicity indicate that the proportion of people in the UK who live in low-income households are:¹⁸

- 20% for White people.
- 30% for Indians and Black Caribbeans.
- 50% for Black Africans.
- 60% for Pakistanis.
- 70% for Bangladeshis.

The Wales Institute of Social & Economic Research, Data & Methods (WISERD) conducted an analysis of Welsh income data on behalf of the EHRC (EHRC, 2011a)¹⁹. WISERD note that due to the relatively small Welsh sample of the Family Resource Survey (FRS), upon which HBAI data is based, their analysis of net equivalent income by ethnicity required the merging of data covering a period of 15 years (1994/95 to 2008/09). Even with this level of aggregation it was still not possible to conduct an analysis of average income in Wales by ethnicity that utilised detailed ethnic breakdowns. To address this WISERD's analysis used combined categories of ethnicity: White (White British or other White), Black (Black Caribbean, Black African, Mixed), Asian (Indian, Pakistani, Bangladeshi) or Other (including Chinese) however it is noted that this may mask within group differences in income.

The analysis by WISERD found that within Wales, people living in Black households are estimated to have the lowest equivalent median incomes (£218 per week), whilst people living in Asian households (£227 per week) also exhibit median incomes that are significantly lower than those of people living in White households (£289 per week). These lower levels of income translate to significantly higher levels of poverty in Wales within Black (41 per cent) and Asian (44 per cent) households compared to those in White households (23 per cent).

WISERD also note that in terms of ethnicity, levels of in-work poverty in Wales are twice as high in Black households (25 per cent) and almost three times as high in Asian households (35 per cent) compared to the incidence observed in White households (13 per cent) over the period 1994-2008.²⁰ Within Wales, the median wealth of Non-white households (£66,000) is considerably less than those of White households (£169,000).²¹

¹⁸ The Poverty Site (<http://www.poverty.org.uk/06/index.shtml?2>), based upon DWP Households Below Average Income, Updated August 2010.

¹⁹ Equality and Human Rights Commission (EHRC). (2011a). *An anatomy of economic inequality in Wales*. Cardiff: EHRC.

²⁰ Based on HBAI data for 1994-2008.

²¹ Based upon Wealth and Assets Survey, 2006-2008.

While it is true that council tax band is affected by location as well as size, amongst Housing Benefit and CTB claimants house size is probably the more important determinant. Therefore in relation to Housing Allowance Benefit recipients, the number of bedrooms a house has is a good proxy for the value, and the Council Tax band that a house will be in.

Table 6: Local Housing Allowance Benefit take-up in the UK by bedroom criteria and ethnic group (Source: DWP, 2010)²².

Bedrooms	White	Ethnic minority	All
1	93%	7%	100%
2	87%	13%	100%
3	84%	16%	100%
4	80%	20%	100%
5+	63%	37%	100%
All	90%	10%	100%

Note: Table reproduced from page 7 of “Local Housing Allowance – larger properties” equality impact assessment, published online on 5 Jan 2009. Based on the Family Resources Survey 2004/5 to 2006/7 and includes both private and social rented sector Housing Benefit tenants.

Table 6 reproduces the DWP (2010) summary of Local Housing Allowance Benefit by house size and ethnic group referenced in their *Retrospective equality impact assessment for Housing Benefit and Council Tax Benefit*. There is a large degree of crossover between CTB and Housing Benefit recipients. DWP data for Housing Benefit and CTB claimants²³ show that within Wales 91 per cent of Housing Benefit customers also receive Council Tax Benefit, and 69 per cent of Council Tax Benefit customers receive Housing Benefit, 227,500 households in Wales claim both benefits.

Table 6 shows that as a whole, 10 per cent of tenants in receipt of Housing Benefit are from an ethnic minority background, however this percentage varies from 7 per cent of the Housing Benefit caseload entitled in the ‘one bedroom’ size criterion to 37 per cent among those entitled to ‘5 or more bedrooms’ ie. as the size of the house increases the proportion of Housing Benefit recipients that are from an ethnic group also increases.

CTB take-up in Wales

The IFS (Adam and Brown, 2012)²⁴ have analysed CTB take-up in Wales based on data from the Family Resources Survey 2007-08 to 2009-10 (see Table 2.4, p. 25,

²² DWP. (2010). *Retrospective equality impact assessment for Housing Benefit and Council Tax Benefit*. London: DWP.

²³ Summarised from Table 1: Housing Benefit / Council Tax Benefit recipients by Region and Local Authority: May 2012. Available at: http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_aug12.xls

²⁴ Adam, S., and Browne. J. (2012). *Reforming Council Tax Benefit: Options for Wales*. London: Institute for Fiscal Studies.

Reforming Council Tax Benefit: Options for Wales), Table 7 below reproduces this analysis.

Within **Table 7** a 'family' (or a 'benefit unit') means an individual, their partner if they have one, and any dependent children. Multi-family households include households where people live with their adult children, elderly relatives or flatmates.

The IFS analysis shows that more than a quarter of CTB goes to single pensioners living alone. Pensioners are much less likely to take up their entitlements.

The highest rates of entitlement are found among non-working families of working age – single people, lone parents and couples with children – and these groups are also the most likely to take up their entitlements, with over 80 per cent of them doing so, so overall they are much more likely than other groups to be receiving CTB. Although these three groups (ie. single people, lone parents and couples with children who are not in paid work) are small, together making up only 11 per cent of households, they account for more than 40 per cent of CTB expenditure in Wales.

The bottom half of the table divides households into broader categories, and shows:

- Non-working households are 13 times as likely to be receiving CTB as working households. Non-working households are twice as likely as working households to claim CTB if they are entitled to it.
- 40 per cent of total CTB spending goes to households containing someone above the State Pension age.
- More than half of all CTB is paid to households where an adult is claiming a disability-related benefit (Disability Living Allowance, Attendance Allowance, Severe Disablement Allowance, Incapacity Benefit, Income Support with a disability premium, or Employment and Support Allowance). This figure would be even higher if it included those with a disabled child in the household.
- Only a quarter of owner-occupiers are entitled to CTB, and of those who are entitled less than half take it up. In contrast, nearly three-quarters of those in social rented housing are entitled to CTB, and of those more than 80 per cent claim their entitlement.

Table 7: Characteristics of CTB recipients in Wales 2012-13 (Adam and Browne, 2012)²⁵

Group	Receiving CTB	% who are Entitled but not receiving	Not entitled to CTB	% of CTB expenditure	% of households
Single, not working	65%	13%	23%	17%	5%
Single, working	3%	5%	91%	1%	8%
Lone parent, not working	86%	7%	7%	15%	3%
Lone parent, working	10%	18%	72%	1%	3%
0-earner couple, no children	33%	13%	54%	5%	3%
0-earner couple, children	84%	13%	3%	9%	2%
1-earner couple, no children	2%	12%	87%	0%	5%
1-earner couple, children	6%	24%	69%	1%	5%
2-earner couple, no children	1%	1%	98%	1%	11%
2-earner couple, children	0%	1%	99%	0%	11%
Single pensioner	33%	27%	40%	24%	16%
Couple pensioner	17%	23%	61%	12%	12%
Multi-family household, no children	14%	18%	68%	8%	11%
Multi-family household, children	15%	15%	70%	4%	5%
With someone working	3%	9%	88%	8%	59%
With no-one working	42%	22%	36%	92%	41%
With children	19%	11%	70%	31%	29%
Without children	19%	16%	65%	69%	71%
Containing a pensioner	26%	26%	48%	40%	31%
Not containing a pensioner	16%	9%	75%	60%	69%
Containing an adult receiving a disability benefit	46%	18%	36%	57%	23%
Not containing an adult receiving disability benefit	11%	13%	76%	43%	77%
Owner-occupiers	9%	15%	76%	35%	73%
Private renters	27%	13%	59%	18%	11%
Social renters	61%	12%	27%	48%	16%
All	19%	14%	67%	100%	100%

²⁵ Adam, S., and Browne, J. (2012). *Reforming Council Tax Benefit: Options for Wales*. London: Institute for Fiscal Studies. P. 25 Source: IFS calculations using TAXBEN run on updated Family Resources Survey data from 2007-08 to 2009-10.

Potential take-up by Eligible non-recipients (ENRs)

Analysis of CTB take-up by the DWP (2010)²⁶ shows that pensioner households entitled to Council Tax Benefit are less likely to be claiming it, compared to working age households, but note that take-up statistics are based on small sample sizes and the results should be treated with caution.

There is a relatively strong correlation between the claimant unemployment rate and CTB recipients across both Great Britain regions and LAs in Wales (KPMG in association with Oxford Economics, 2010)²⁷. The high correlation of CTB with other benefits is largely a result of 'passporting'. This feature of the system means that claimants of Income Support, Job Seekers Allowance and Employment Support Allowance also qualify for full CTB. This also implies that if unemployment increased, then under the current system, the number and cost of CTB recipients would also increase.

Most unclaimed CTB expenditure in Great Britain is by pensioners (£1,265m), partly as they are the largest share of total ENRs. The value of unclaimed CTB for couples with children (£215m) is not as high as for pensioners, but it is high as a proportion of the value of CTB claimed by this group (£310m), but still remains low in absolute terms compared to pensioners.

The scale of CTB non-take-up means that a new system in which there is greater take-up could significantly increase the total costs of CTB. For Great Britain, a 10 percentage point increase in take-up was estimated to cost an additional £0.4 billion (House of Commons Communities and Local Government Committee July 2007: p. 26)²⁸. A proportionate increase for Wales at 6 per cent of £0.4 billion (Wales accounts for 6 per cent of the Great Britain CTB caseload) would equate to around £25m.

CTB Reform Options and their impact upon Equality Act protected characteristic groups

Options to introduce a new scheme to provide support for council tax in Wales once the UK Government abolishes CTB and reduces funding by 10 per cent have been based on possible reforms to the current CTB scheme. Based on the available data assessments of the potential impact of each of the Options under consideration by the Welsh Government are outlined below.

Due to a lack of data it has not been possible to provide an equality impact assessment for all of the protected characteristics (ie., marriage and civil partnership, pregnancy and maternity, religion, sexual orientation, and transgender) this is

²⁶ DWP. (2010). *Retrospective equality impact assessment for Housing Benefit and Council Tax Benefit*. London: DWP.

²⁷ KPMG and Oxford Economics. (2010). *Evaluation of the Council Tax and Housing Benefit Take-up Scheme in Wales*. Cardiff: Welsh Assembly Government.

²⁸ House of Commons (2007) *Local Government Finance: Council Tax Benefit* Communities and Local Government Committee Report Eighth Report of Session 2006–07 Volume I.

because entitlement to CTB is assessed on financial need, and demographic data is not collected. Similarly a paucity of data has meant that the impact on the protected characteristics of disability and ethnicity are indicative only, and should be treated with caution.

Option 1: An across-the-board cut of 10% for all claimants. Reduces cost by 10.2%.

Equality impact: Age, Disability, Ethnicity, Gender

The IFS (Adam and Browne, 2012, p45) in their analysis of this option note that:

“The poorest three income deciles, who receive most CTB at the moment, correspondingly lose most from a proportional cut in all entitlements. While the average loss from this reform across the whole population is only 0.05% of income, for these three decile groups it is 0.28%, 0.18% and 0.13% respectively.”

It has also been recognised that some large families may also be disproportionately affected by council tax (Clark, Giles and Hall, 1999)²⁹. Having a greater number of people within a household is likely to require a relatively larger house which incurs a larger council tax bill despite not necessarily earning an income which sufficiently offsets this. Housing Benefit claimant data indicated that while ethnic minority households account for approximately only 10 per cent of all Housing Benefit claimants, they are disproportionately represented among claimants with larger houses (four plus bedrooms).

The WISERD analysis of income by ethnicity and disability discussed earlier shows that these protected characteristic groups have a higher risk of being in poverty than white and non-disabled households respectively.

As such there is a strong likelihood that CTB Reform Option 1 will impact more negatively upon ethnic (Black and Asian as defined by WISERD see above) and disabled households.

In Wales, 45.6 per cent of disabled people aged 16 to 64 were in employment in 2011, compared with 50.5 per cent for the UK as a whole. The gap between disabled people’s employment rates and those of non-disabled people is greater in Wales than in the UK as a whole.

The Joseph Rowntree Foundation (2011)³⁰ has found that a third of low-income, working-age adults without dependent children are either disabled themselves, and/or have a disabled partner. Among those with dependent children, this proportion is a quarter.

²⁹ Clark, T., Giles, C., and Hall, J. (1999). *Does council tax benefit work?* London: Institute for Fiscal Studies.

³⁰ Joseph Rowntree Foundation. (2011). *Monitoring poverty and social exclusion in Wales 2011*. York: Joseph Rowntree Foundation.

Smith et al (2004)³¹ found that disabled people experience additional costs in most areas of everyday life, from major expenditure on equipment essential for independence, to ongoing higher expenses for, for example, food, clothing, utilities and recreation. Deaf people face high costs due to their need for interpreter / communicator services. The weekly income of disabled people who are solely dependent on benefits is approximately £200 below the amount required for them to ensure an acceptable, equitable quality of life. Leonard Cheshire Disability (2009)³² estimate that, on average, disabled people of working age face additional costs of between 24 per cent and 35 per cent on top of normal expenditure.

Even when in employment disabled people incur penalties. Analysis by the National Equality Panel (2010)³³ has shown that paid employment rates for disabled people are less than half those of people who are not disabled, and when employed, disabled people have median hourly earnings 20 per cent lower for men, and 12 per cent lower for women. The National Equality Panel concludes that “*the disability employment ‘penalty’ has grown steadily over the last quarter century. Disabled people with low or no qualifications have been particularly strongly affected, and more so than non-disabled people.*” Analysis of statistics for Wales (EHRC, 2011a³⁴, EHRC 2011b³⁵) has found similar trends to those reported by the National Equality Panel.

The WISERD analysis of Welsh income data also shows that household incomes are lowest among lone parents, within Wales such families have an average equivalent income of £215. Some 48 per cent of lone parent households in Wales (which are predominantly headed by women) are estimated to be in poverty. Furthermore, 30 per cent of childless women in single households in Wales are estimated to be in poverty. This figure is both 5 percentage points higher than that estimated for single households in Wales that are headed by males. In Wales, 14 per cent of single pensioner households headed by males are in poverty. This is compared to 18 per cent of such households that are headed by females. The analysis points to the relative disadvantage of households headed by women in Wales.

DWP data for CTB in Great Britain for May 2012³⁶ shows that single females account for 51 per cent of all CTB recipients. Single males and couple households account for 24 per cent and 25 per cent respectively.

³¹ Smith, N., Middleton, S., Ashton-Brooks, K., Cox, L., Dobson, B., and Reith, L. (2004). *Disabled People's Cost of Living*. York: Joseph Rowntree Foundation.

³² Leonard Cheshire Disability. (2011). *Disability Poverty in Wales*. London: Leonard Cheshire Disability.

³³ National Equality Panel. (2010). *An Anatomy of Economic Inequality in the UK*. London: London School of Economic, Centre for Analysis of Social Exclusion.

³⁴ Equality and Human Rights Commission (EHRC). (2011a). *An anatomy of economic inequality in Wales*. Cardiff: EHRC Wales.

³⁵ Equality and Human Rights Commission (EHRC). (2011b). *How Fair is Wales? Equality, human rights and good relations*. Cardiff: EHRC Wales.

³⁶ Summarised from Table 15a: Council Tax Benefit recipients by Age Group and Family Type: May 2012. Available at:

DWP estimate that 94 per cent of lone-parent households in the UK in receipt of CTB in UK are female households.³⁷

Data for May 2012 for Great Britain³⁸ shows that there are 2,200,130 CTB recipients aged 65 years or over, which account for over a third (37 per cent) of all CTB recipients. Of those CTB recipients aged 65 years or over, 53 per cent are single female households, 20 per cent are single male households, and the remainder (23 per cent) are in couple households.

The above data indicates that CTB Reform Option 1 will negatively impact females, particularly single female households (with and without children).

The high proportion of pensioners receiving CTB, coupled with the high number of single female pensioner households, means that pensioners will also be negatively impacted.

Option 2: Only refunding 91% of a family's council tax liability rather than the full amount. Reduces cost by 10.2%.

Equality Impact: Age, Disability, Ethnicity, Gender

The IFS (Adam and Browne, 2012, p46) state that this option is very similar to Option 1. The key difference between them is that reducing maximum entitlement does not involve an effective reduction in the taper rate like a uniform percentage cut in entitlements does, and so this option can raise a similar amount of revenue with a smaller reduction (9 per cent rather than 10 per cent) in the level of support for those with no private income. As such it is anticipated that the impact upon protected characteristic groups will be similar to that described for Option 1, having a greater negative impact on low-income households than other households. However in comparison to Option1, Option 2 will have less negative impact on CTB recipients from the lower income deciles.

The high proportion of pensioners receiving CTB (37 per cent of all CTB recipients) suggests that pensioners will be impacted negatively.

The high proportion of female CTB recipients (51 per cent of all CTB recipients), coupled with the high proportion of single parent households headed by females (93 per cent of all lone-parent households), which are typically low-income households (48 per cent of lone-parent households in Wales are estimated to be in poverty), suggests females will be negatively impacted.

³⁷ Summarised from Table 15a: Council Tax Benefit recipients by Age Group and Family Type: May 2012. Available at:

http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_aug12.xls.

³⁸ Summarised from Table 15a: Council Tax Benefit recipients by Age Group and Family Type: May 2012. Available at:

http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_aug12.xls.

Ethnic households (in particular Black and Asian – as defined by WISERD), and disabled households have a higher risk of being in poverty than white and non-disabled households.

See Option 1 above for a more detailed analysis.

Option 3: Restricting the amount of support to the level of council tax paid for a Band B property. Reduces cost by 9.8%.

Equality Impact: Age, Ethnicity

The IFS (Adam and Browne, 2012, p47) analysis of this option suggests that:

“the people who would lose out from this reform are those currently claiming CTB and living in properties in Bands C and above... these are disproportionately families with children, as families with children tend to occupy larger properties which are in higher council tax bands.”

The analysis of Local Housing Allowance Benefit by house size and ethnic group by the DWP (2010)³⁹ indicates that ethnic minority households may potentially be negatively impacted by this CTB reform option. 37 per cent of all Housing Benefit recipients with houses with five or more rooms are ethnic minority households, despite ethnic minority households only accounting for 10 per cent of all Housing Benefit recipients.

This option is also anticipated to negatively impact upon pensioner households living in larger houses that have not downsized as their family size has reduced.

Option 4: Removing entitlement from those in Bands E and above. Reduces cost by 8.7%.

Equality Impact: Age, Ethnicity

As with Option 3, it is anticipated that this CTB reform option will affect households in higher-band properties, which are disproportionately families with children.

The analysis of Local Housing Allowance Benefit by house size and ethnic group by the DWP (2010)⁴⁰ indicates that ethnic minority households may potentially be negatively impacted by this CTB reform option. 37 per cent of all Housing Benefit recipients with houses with five or more rooms are ethnic minority households, despite ethnic minority households only accounting for 10 per cent of all Housing Benefit recipients.

This option is also anticipated to negatively impact upon pensioner households living in larger houses that have not downsized as their family size has reduced.

³⁹ DWP. (2010). *Retrospective equality impact assessment for Housing Benefit and Council Tax Benefit*. London: DWP.

⁴⁰ DWP. (2010). *Retrospective equality impact assessment for Housing Benefit and Council Tax Benefit*. London: DWP.

Option 5: Increasing the withdrawal rate for support for council tax from 20% to 30%. Reduces cost by 4.5%.

Equality Impact: Disability, Ethnicity, Gender

The IFS (Adam and Browne, 2012, p49) analysis of the potential impact of this option indicates that:

Largest losses are still towards the bottom of the income distribution (households in the second and third income deciles lose £12.26 and £10.85 per year on average respectively... Means-testing support for council tax more aggressively mainly affects claimants who are in work but have low levels of earnings – a particularly common situation for working lone parents.

Based on the income and demographic data presented earlier, we would therefore expect that this option would negatively impact upon ethnic minority households due to their greater likelihood of living in poverty or low-income, and females due to the high proportion of female single parent households.

Based upon the IFS analysis we would also anticipate that this option would have a negative impact on in-work disabled households, as they face higher living costs, and generally have lower incomes than non-disabled households.

Option 6: Reducing the single-person discount from 25% to 20%. Raises an amount equivalent to 10.4% of the current cost of CTB.

Equality impact: Age, Gender

This reform is different from the others proposed by the IFS as it affects all Council Tax payers entitled to the Single Person Discount, and not just CTB claimants.

The IFS (Adam and Browne, 2012, p52) analysis of the potential impact of this option indicates that:

The losers from reducing the single-person discount would be single-adult households who are not entitled to means-tested council tax rebates. Those claiming council tax rebates would see their entitlement increase by an amount equal to their additional council tax liability, and some who are not currently entitled to support would become entitled. Unlike the other reforms we have modelled, the top half of the income distribution would therefore lose more in cash terms than the bottom half. Based upon available income data, this reform would have negatively impact upon single white male households. These households generally have the highest income compared to other groups, and would not be eligible for CTB. The proposed reduction of the single-person discount would therefore not be offset by an increased entitlement to CTB.

33 per cent of single pensioner households in Wales receive CTB, which according to the IFS analysis account for 16 per cent of households receiving CTB. The IFS also estimate that 27 per cent of single pensioner households are eligible, but do not claim CTB. We would therefore anticipate that single pensioner households not

entitled to means-tested council tax rebates may also be negatively impacted by Option 6.

Appendix C: Overview of Current Council Tax Benefit Award Calculation

Components of Benefit Calculations

Council tax liability

1. The council tax liability is based on the valuation band of the property.

Passported benefits

2. Claimants receiving Income Support, Job Seekers Allowance (income based) or Employment Support Allowance (income related), Pension Credit and Pension Guarantee Credit are entitled to receive full council tax benefit subject to any non-dependant deductions that may apply.

Non-dependant deductions

3. A non-dependant is someone who is 18 or over and who normally lives with the claimant but isn't:
 - Claimant's husband/wife/partner; or
 - A child the claimant receives child benefit for; or
 - Someone jointly liable to pay council tax
4. There are different deductions for non-dependants, based on their earnings or income but in some cases non-dependant deductions do not apply eg. where someone is in receipt of certain benefits or allowances (usually disability or care related) (see p65 for breakdown)

Personal allowances

5. Personal Allowances are the basic amounts of money the government says a claimant needs to live on. The level of the personal allowance will depend on the claimant's age and whether they are single, part of a couple or a lone parent. There are additional personal allowances for dependant children (see p65 for breakdown).

Premiums

6. Premiums are additional amounts added to the personal allowance because of claimant's personal circumstances. The government recognises that it is more expensive to live if you are older, live with a family or if someone has a disability or caring responsibilities (see p65 for breakdown)

Applicable Amount

7. The applicable amount is the amount that the Government says that the claimant and their family need to live on each week. It is made up of either personal allowances only or a combination of personal allowances and premiums.

Capital

8. If a person's capital exceeds £16,000 then they are not entitled to claim council tax benefit (except second adult rebate). If a working age claimant has capital of more than £6,000, £1 per week will be added to the income that is used to work out the benefit for every £250 or part of £250 above this amount, this is called tariff income.

Capital limits

Under Pensionable Age

Less than £6,000 - not taken into account in the assessment

Between £6,000 and £16,000 - for every £250 of capital over £6k we add £1 to the weekly income - this is deemed to be the interest earned on the capital)

Over £16,000 - not able to apply

Over Pensionable Age

Less than £10,000 - not taken into account in the assessment

Between £10,000 and £16,000 - for every £500 of capital over £10k we add £1 to the weekly income - this is deemed to be the interest earned on the capital)

Over £16,000 - not normally able to apply but if Pension Service confirm that person is getting Pension Guarantee Credit then there is NO upper limit on the capital held (this would only apply to people who have a serious disability).

Income

9. Income from all sources is taken into account in the calculation of council tax benefit. This includes income from employment, self-employment, pensions, benefits and maintenance. If the claimant has a partner then both incomes are added together although there are certain types of income that are disregarded

Disregards

10. There are standard earnings disregards for singles, couples and lone parents. People in certain groups, such as carers and people with disabilities are eligible for a higher disregards. In addition, people in certain special occupations are also eligible for the higher disregard eg. coastguards and fire-fighters in recognition of the services they provide and the potential hazards they face in undertaking these duties. Certain war widows related pensions are disregarded under a local scheme.
11. Childcare charges disregard offers extra financial help to those people who are on a low income, work over 16 hours per week and incur childcare costs.
12. As part of the income calculation, some income is either disregarded in part or in full. Income from benefits that are fully disregarded include:
 - Disability living allowance
 - Attendance allowance

- Maintenance for children
- Child benefit

Excess Income

13. Excess income is the sum of income minus any disregards minus the applicable amount

Taper

14. The claimant's excess income is reduced by 20p for each £1. This is called the taper.

Example

Weekly Council Tax liability	£20.00
Total Income (less disregards)	£150.00
Applicable amount (incl. premiums)	£125.00
Excess Income	£25.00
Tapered income (£25.00 x 20%)	£5.00
Council Tax Benefit (liability less tapered income)	15.00 per week

The same principles apply for housing benefit except that for every £ excess income, 65p will be deducted from the total eligible rent liability eg.

Weekly rent liability	£120.00
Total Income (less disregards)	£150.00
Applicable amount (incl. Premiums)	£125.00
Excess Income	£25.00
Tapered income (£25.00 x 65%)	£16.25
Housing Benefit (liability less tapered income)	£103.75 per week

For People of Working Age		For People who have reached State Pension qualifying age	
Personal Allowances	Weekly Amount	Personal Allowances	Weekly Amount
Single claimant aged not less than 18 but less than 25	£56.25	Single claimant aged under 65	£142.70
Single claimant not less than 25	£71.00	Single claimant aged 65 or over	£161.25
Lone parent	£71.00	Lone parent aged under 65	£142.70
Couple	£111.45	Lone parent aged 65 or over	£161.25
		Couple - one or both aged 60 or over, but both aged under 65	£217.90
		Couple - one member or both members aged 65 or over	£241.65
Dependent children		Dependent children	
Child	£64.99	Child	£64.99
Premiums		Premiums	
Family Premium	£17.40	Family Premium	£17.40
Family Premium (lone parent rate)	£22.20		
Disability Premium - single	£30.35		
Disability Premium - couple	£43.25		
Enhanced Disability Premium - single	£14.80		
Enhanced Disability Premium - disabled child rate	£22.89	Enhanced Disability Premium - disabled child rate	£22.89
Enhanced Disability Premium - couple	£21.30		
Severe Disability Premium - single	£58.20	Severe Disability Premium - single	£58.20
Severe Disability Premium - couple (lower rate)	£58.20	Severe Disability Premium - couple (lower rate)	£58.20
Severe Disability Premium - couple (higher rate)	£116.40	Severe Disability Premium - couple (higher rate)	£116.40
Disabled Child Premium	£56.63	Disabled Child Premium	£56.63
Carer Premium	£32.60	Carer Premium	£32.60
Non-dependant Deductions		Non-dependant Deductions	
In receipt of IS, JSA(IB), or ESA(IR)	Nil	In receipt of state Pension Credit	Nil
Aged 18 or over and in remunerative work		Aged 18 or over and in remunerative work	
-gross income greater than £394.00	£9.90	-gross income greater than £394.00	£9.90
-gross income not less than £316.00 but less than £394.00	£8.25	-gross income not less than £316.00 but less than £394.00	£8.25
-gross income not less than £183.00 but less than £316.00	£6.55	-gross income not less than £183.00 but less than £316.00	£6.55
-gross income less than £183.00	£3.30	-gross income less than £183.00	£3.30
Others aged 18 or over	£3.30	Others aged 18 or over	£3.30
Capital Limits		Capital Limits	
Lower Capital Limit	£6,000	Lower Capital Limit	£10,000
Upper Capital Limit	£16,000	Upper Capital Limit State Pension Credit guarantee credit NOT in payment	£16,000
		Upper Capital Limit State Pension Credit guarantee credit in payment	No Limit

Appendix D - Consultation on Providing Support for Council Tax in Wales – Summary of Consultation Responses

Responses received

Number of responses	Organisation	Further details
14	Local Authorities	Conwy, Cardiff, RCT, Blaenau Gwent, Gwynedd, Flintshire, Denbighshire, Merthyr Tydfil, Bridgend, Caerphilly, Ceredigion, Wrexham, Pembrokeshire, Powys
1	Police Force	Dyfed Powys Police
4	Professional Bodies	IRRV, SWT, Solace, Resident Landlords' Association
2	Members of the public	N/A
3	Public Sector Bodies	Valuation Tribunal Wales, Information Commissioner's Office, Children's Commissioner
7	Third Sector Organisations	Age Cymru, Save the Children, Shelter Cymru, Llamau, Carers Wales, Citizens Advice Bureau, End Child Poverty Network
1	Private Company	Vanguard Consultants
Total Number of Responses: 32		

Establishing a National Framework Scheme

Q1 What should be included in a national framework scheme to ensure a minimum level of consistency across Wales, e.g. minimum level of support, a range within which support could be provided, discount disregards, protection of certain groups etc?

All respondents to this question were supportive of the development of a national framework scheme. The reasons put forward in support of this were to ensure a consistent minimum level of support to claimants across Wales and to facilitate the development of software to deliver the new scheme.

The majority of responses were in favour of a national framework that is prescriptive about claim/evidence requirements, tapers, income and savings, backdating and appeals.

Strong recommendations were also made to base the national framework on the existing council tax benefit scheme, with amendments made for the 10% reduction in funding being provided by the UK Government.

While some respondents stated that the national framework should be flexible in order to take into account differing local demographics, most respondents preferred only a limited amount of local flexibility to ensure a consistent approach across Wales.

Protecting the vulnerable

Q2 Are there any vulnerable groups, or groups who would be disproportionately affected by a reduction in council tax support provided? Are there vulnerable groups that should be protected from changes? If so which, and why?

While it was acknowledged that this decision should be informed by the results of an Equality Impact Assessment, more than half of the respondents to this question expressed significant concern that a decision to protect any group or groups would increase the hardship for other claimants as it could result in a greater reduction in support for them.

Other concerns were raised that labelling a specific group as vulnerable could be too broad as there will be those who are more affected by the changes than others, or that it could miss the incidence of others who don't fall into a specific category but who are experiencing financial difficulties. As a result a number of respondents, including those from a number of third sector organisations, recommended that vulnerability should continue to be determined based on an individuals' financial circumstances.

The majority of respondents also suggested that basing the new scheme on the existing council tax benefit scheme would provide a certain degree of protection for vulnerable groups by giving them a higher premium.

A number of respondents recommended that there were certain vulnerable groups that should be protected, these included:

- Families with children who will also be affected by the UK Government's other welfare reforms (5 respondents)
- Pensioners (3 respondents)
- People with disabilities (1 respondent)
- People who won't be expected to find work when receiving Universal Credit (1 respondent)
- Young single men and childless women who will be impacted by the UK Government's other welfare reforms (1 respondent)

Q3 What would be the most appropriate mechanism for supporting any such group, e.g. a grant, prescribed in regulations etc?

There were a number of suggestions about how protection for a vulnerable group or groups could be provided, these included:

- Retaining the existing grant scheme that provides assistance to pensioner in meeting their council tax bills, but reviewing it so that it is consistent with a national scheme;
- Setting up a discretionary hardship fund similar to the Discretionary Housing Payment scheme;
- Setting up a specific grant, funded by the Welsh Government, to provide protection to a specific group;

- Developing strong links with other programmes such as Communities First, Flying Start etc.

Work incentives

Q4 How could a scheme to provide council tax support provide work incentives.

Concern was expressed by a number of respondents that it would be difficult to provide work incentives with a reduction in funding and the current uncertainties around Universal Credit. Also raised was the financial burden that providing work incentives could place on local authorities and the limited work opportunities that there currently are at the moment.

The suggestions to provide work incentives under a council tax support scheme included:

- Increasing the earnings disregard so that people can earn more before support starts to be withdrawn;
- Decreasing the taper rate so that support is withdrawn at a lower rate (currently 20p per £1);
- Providing run-ons (the favoured approach)
- Allowing advance claims
- Mirroring the work incentive provisions under Universal credit

Providing support within a reduced budget

Q5 What additional flexibility could help to ease the pressure of reduced funding and managing demand for support within a fixed budget?

A number of respondents suggested that it might be fairer to look at reducing all other council tax discounts (for example single person discount, empty homes etc) by 5-10%. However several other respondents expressed concern about the possibility of reducing the single person discount, in particular because of the burden that this would place on other council tax payers and the variance it could create due to local authorities differing demographics.

Other suggestions included:

- Establishing a scheme similar to the existing system of Discretionary Housing Payments;
- Setting flexible and proportionate audit requirements;
- Considering the variability of caseload and how this could be managed;
- Looking at areas within the regulations that could be simplified to reduce costs such as persons from abroad eligibility, evidence requirements etc; and
- Minimising administration and transition costs to maximise funding available to provide support.

Q6 What options are there for managing the 10 per cent shortfall in funding available within a fixed budget, in a way that is equitable, does not disproportionately impact on any single group, and does not simply transfer costs onto other council tax payers?

A number of responses suggested that the Welsh Government should make up the shortfall in funding being provided by the UK Government.

The majority of responses also recommended that there should not be a major reform, at least in the first year and instead the new scheme should be based on amendments to the current council tax benefit scheme. This would minimise issues relating to equalities, timing, software and collection rates.

While the majority of respondents offering suggestions on how the funding shortfall could be managed preferred the application of an equal cut in support for all claimants, a number of responses pointed out that those that could least afford a reduction in support should not be disproportionately burdened and this would require a careful balance between how claimants receiving 100% CTB and those only receiving partial CTB are treated under a new scheme. It was also noted that the WLGA had established a group of local government practitioners to develop options for delivering a new scheme and that these options should be considered by the Welsh Government.

Other suggestions for reducing expenditure on council tax support included:

- Restricting maximum amount of council tax liability that is rebated
- Limiting support to particular housing bands
- Reviewing and decreasing applicable amounts
- Altering disregards from earnings and savings
- Adjusting the taper
- Increasing non-dependent deductions
- Discontinuing second adult rebate
- Reducing discounts awarded (particularly single person discount)

While a number of respondents proposed reducing Single Person Discount from 25% to 20%, there were a number of respondents who stated that due to differing demographics and socio-economic circumstances across local authorities this would not make up the shortfall in funding for some authorities and therefore a complex pooling system, like that used for non-domestic rates would be needed.

Managing financial risks

Q7 How can local authorities efficiently manage the risk of take-up of support exceeding the forecast level of demand?

A number of concerns were raised regarding the impact of the UK Government moving funding from a demand led to a fixed budget,

particularly the disincentives that this could provide to local authorities to promote take-up of council tax support. Another concern raised was the level of latent demand and whether the number of claimants for council tax support will increase significantly due to publicity and awareness raising around the new scheme.

The majority of respondents suggested that some of the main funding available to provide support should be held back to provide a contingency fund.

Other suggestions included:

- The need to have a robust modelling tool to provide reliable information;
- Sharing risk across local authority areas and/or with the police;
- Providing local government with powers to hold reserves and/or carry forward under or over spends, within certain tolerances, into the next financial year;

Funding distribution

Q8 What would be the best approach to distributing funding for council tax support to local authorities?

A majority of respondents were in favour of the funding being provided as a specific grant outside of the RSG in the first year. However a significant number of respondents argued in favour of the funding being provided within the RSG and distributed on the basis of current expenditure. It was also suggested that similar arrangements to the current NNDR pool payments could be set up to provide funding.

Concerns were raised around ensuring that caseloads and future forecasts were taken into account when deciding on the distribution of the funding, as well as the need to consider a local areas demographics if a decision was taken to protect a specific group. Responses were also received recommending that the funding should be paid out in a way that did not affect tax base calculations.

Local Delivery

Q9 What form should local consultation regarding local delivery take?

A number of respondents expressed concerns about the timing available to undertake a form of local consultation and it was suggested that activity should focus on raising awareness of the changes instead. It was also suggested that the Welsh Government should provide guidance on the minimum level of local consultation required.

Other feedback in relation to local consultation included:

- Consultation being led by the Welsh Government if the decision was taken to have a pan-Wales scheme;

- Limiting consultation to elected members and external auditors only;
- Setting up advisory groups, with at a local level who will represent interest of local residents;
- Providing a direction to consult with households with children who would be affected as well as young people living on their own;
- Ensuring a direct programme of communications with all those affected by the changes.

A number of respondents also stated that there should be independent scrutiny of local delivery arrangements and that a monitoring report should be published yearly, that is made publicly available and debated by the Assembly.

Q10 Should local authorities be able to make adjustments to local delivery arrangements from year to year? If so should any restrictions be placed on their ability to do this, e.g. a minimum notification period?

A very mixed response was received to this question with some respondents recommending that local authorities should be allowed to make in year changes to the scheme with only a minimal notifications period, while others suggested that in year changes would unfairly disadvantage claimants and should therefore not be allowed.

Some respondents recommended that the new scheme be given time to bed in so its impact could properly be understood before any changes were made. However it was also recognised that year-on-year changes were likely to be required to ensure local authorities weren't financially disadvantaged, although the preference was for these to be made on a national level.

Collaboration

Q11 How can the Welsh Government best support local authorities in collaborating to design and deliver their local delivery arrangements for council tax support? How can joint working be supported?

A number of respondents stated that local authorities were already working together in drawing up options for the scheme design and discussion with software providers. It was also suggested that there were opportunities for local authorities to work together to look at simple issues such as establishing an All Wales claim form

It was noted that ideally there should be a pan-wales software solution but the current contracts that local authorities have with different software providers was a barrier to this. Respondents also highlighted the ongoing work under the Simpson Compact in relation to council tax collection rates and costs.

There were also several suggestions about the role that the Welsh Government could play in facilitating collaboration such as providing a

central liaison point and sharing best practice, and supporting collaboration by providing clear guidance on data-sharing requirements.

Working with Advice Providers

Q12 How could local advice providers help to provide support to claimants in the transition to and subsequent running of a new scheme?

Most respondents commented that well established procedures already existed between local authorities and local advice providers.

The majority of responses also stated that clear and early communication was essential to ensure that training and awareness raising could be provided well in advance of the new scheme coming into effect.

Some other responses included:

- the Welsh Government should provide funding to support work with advice providers;
- procedures would need to be established to refer families with debts to advice providers as many would be paying bills for the first time.

Minimising complexity and uncertainty for claimants

Q13 How can complexity be minimised for claimants moving between authorities, e.g. setting minimum levels of consistency between schemes, via data-sharing between local authorities?

Respondents stated that the proposal to have a single national framework scheme would help to minimise complexity for claimants, as would having proper data-sharing arrangements in place between authorities.

Q14 How can certainty be provided for claimants so that they are not discouraged from entering into temporary work, e.g. via run-ons, advance claims, or retaining information (Annex 1)?

Most respondents suggested that run-ons would help to support people entering work but providing them would have financial implications for local authorities.

Other suggestions included:

- Ensuring council tax support interacts with Universal credit;
- Continue, and consider, extending back-dating arrangements
- Establish a rapid process for those re-claiming support
- Provide advance claims

Please note there was an error in the numbering of the questions and as a result the consultation contained no Question 15.

Collection and enforcement, and hardship

Q16 Is anything further needed to encourage a consistent approach to collection and enforcement by local authorities?

A number of respondents pointed out that the existing Council Tax Arrears Good Practice guide should be used by local authorities to ensure a consistent approach. Other responses suggested that an All Wales Recovery protocol could be established however this conflicted with a number of other responses stating that local authorities should have the freedom to establish their own processes to take differing local circumstances into account and sufficient powers to allow this are already set out in the Local Government Finance Act 1992.

Concerns were raised about ensuring that collection and enforcement activity does not result in hardship or homelessness, as well as the need to avoid the escalation of bailiff fees.

However a significant number of concerns were also raised in responses from local government about the impact of the new scheme on collection costs and rates, these included:

- An increase in collection costs and a fall in collection rates
- The impact that a fall in collection rates could have on a local authority's tax base
- Possibility of an increase in legal action to recover small amounts
- An increase in the number of payments made via the Post Office which are more expensive to process than other forms of payments.

Q17 Should local authorities continue to be free to offer discretionary support for council tax?

A number of respondents pointed out that local authorities already have discretionary powers under section 13a of the Local Government Finance Act 1992, and the flexibility to exercise these powers should remain. However other respondents stated that while local authorities have discretionary powers under 13a they are unlikely to be used as other council tax payers would have to meet the costs.

Several responses recommended that the Welsh Government should push to have part of the DWP run Discretionary Housing Payment scheme devolved so that support provided under this scheme could be extended to council tax support, as well as spread more evenly across local authority areas. Other responses suggested that a ring-fenced scheme could be created, either from additional funding from the Welsh Government or from part of the funding for the main scheme, to provide discretionary support.

The appeals process

Q18 How could an appeals process operate under a new scheme to provide support for council tax?

There was significant support for having a clear, robust and transparent national process to handle appeals. While there was consensus that the initial appeal should be dealt with at a local authority level there were a variety of suggestions regarding the body that should hear appeals that are unresolved at a local including: a panel of third sector organisations, a regional panel of local authority officers and the Valuation Tribunal Wales.

A number of concerns were raised about the appeals process including:

- Ensuring that those handling appeals had sufficient knowledge and training;
- The double-handling of appeals as council tax support appeals will be dealt with separately from Housing Benefit appeals;
- A potential significant increase in the number of appeals in the first year due to the new scheme
- Complexity of appeals if there are local variations

Data sharing

Q19 What would be the minimum information necessary to administer a scheme to provide council tax support? Other than information provided by DWP, what sources could local authorities use to establish claimants' circumstances?

The majority of respondents stated that the current data-sharing arrangements will need to be replicated in order to minimise administration costs, highlighted that local authorities would need access to HMRC and Universal Credit data and suggested that existing claimants would need to be automatically transferred to the new scheme. The need to ensure that the necessary legal powers and information sharing protocols were in place was also raised.

Fraud and error

Q20 What additional powers might local authorities need to investigate and prosecute fraud in council tax support?

Most respondents stated that the fraud and enforcement powers for council tax benefit would need to be replicated. However some responses also highlighted the need to ensure there was a distinction between fraud and effort, particularly because the current regulations are so complicated.

Q21 What information, and in what form, e.g. raw or processed, would local authorities need to investigate suspected fraudulent claims?

The majority of respondents stated that access to Housing Benefit data and Universal Credit data would be required for data-patching purposes. A few responses also pointed out that powers to request information from employers and to obtain financial information from services such as the National Anti Fraud network should also be retained.

Q22 How could the work of the Single Fraud Investigation Service support local authorities in investigating fraud?

All respondents noted that data-sharing and intelligence from SFIS would be critical to highlight suspected council tax support fraud. However there was a variety of responses in relation to how this could be achieved including:

- Establishing joint working arrangements and referral processes for council tax support and Universal Credit;
- The Welsh Government providing additional funding to create a pan-Wales service; and
- Recognising that local authorities all have differing arrangements to investigate benefit fraud due to differing local circumstances.

Administration costs

Q23 What can be done to help minimise administration costs?

Most respondents suggested that making the scheme as simple as possible and ensuring effective data-sharing processes in place would help to minimise administration costs. Other suggestions included:

- Developing uniform advertising material and claim forms across Wales;
- The Welsh Government should meet the administration costs;
- The Welsh Government should negotiate to ensure adequate funding to cover administration costs is provided once responsibility and funding is transferred;
- Little would be possible in the first years of the scheme as local authorities will still also have to administer Housing Benefit;
- Concern that any shortfall in admin funding does not impact on the funding for claimants; and
- Local authorities should look to streamline their processes to achieve efficiency savings.

Transition to a new scheme

Q24 Is a one-off move to a new scheme preferable to a gradual transition? If not how can the complexities and funding implications of running multiple systems be managed?

Respondents favoured a one-off transition to the new scheme particularly because the move to Universal Credit will be a phased approach. There was strong support for existing CTB claimants being automatically transferred onto the new system. There was also recognition that the new scheme was likely to require changes in future years.

Q25 What information would local authorities need to retain about current recipients of or applicants for council tax benefit in order to determine the level of council tax support that they are entitled to?

The majority of respondents stated that all current information will need to be retained to retrospectively reassess CTB following changes or fraud, and to avoid customer disruption. Responses also reiterated that any reduction in information held will result in a less fair and less efficient system.

Q26 How should rights accrued under the previous system be treated?

The majority of respondents stated that claimants should not be asked to reclaim and all data from the CTB scheme should be transferred to the new scheme. However there were a variety of opinions in relation to dealing with rights accrued, the majority felt that all rights accrued under CTB should be retained, although some felt that at rights accrued should be cut off from 01.04.13, while a few respondents felt that there should be no rights accrued.

Q27 How can the likelihood or impact of sudden shifts in household income resulting from the move to the new scheme be minimised?

Half of the respondents to this question stated that due to the reduction in funding being provided, and without a specific protection for particular groups, then the impact on household income could not be minimised although those affected could be advised as early as possible.

However a number of other respondents suggested that the impact could be minimised by setting up an equivalent to the Discretionary Housing Payments fund, by establishing some form of transitional protection or migration scheme, by giving local authorities the ability to vary or remove other council tax exemptions such as A and C the income from which could then be used to minimise impact on those affected.

All respondents highlighted the need to ensure that claimants who would be affected were advised as soon as possible. Specific suggestions in relation to this included awareness raising campaigns and identifying all claimants affected and signposting them to local advice providers.

Q28 What support will local authorities need to manage the transition, including with regard to developing IT systems?

A wide variety of suggestions were provided in relation to this question, including:

- Assistance in negotiating with ICT suppliers;
- Timely regulations and guidance;
- Transition and ongoing funding
- Regular communication from the Welsh Government
- Coordinated and assisted publicity across Wales
- Recognition that local authority benefit services are already under considerable pressure as a result of other welfare reforms

APPENDIX E: DEVELOPING A NEW SCHEME TO PROVIDE COUNCIL TAX SUPPORT IN WALES - DUE REGARD TO THE UNITED NATIONS CONVENTION ON THE RIGHTS OF THE CHILD

Section 1(1) of the Rights of Children and Young Persons (Wales) Measure 2011 provides that from the beginning of May 2014 the Welsh Ministers must have due regard to the requirements of Part 1 of the Convention, articles 1 to 7 of the Optional Protocol on armed conflict (except article 6(2)) and articles 1 to 10 of the Optional Protocol on the sale of children, child prostitution and child pornography.

Section 1(2) of the Measure states that from the beginning of May 2012 until the end of April 2014, the Welsh Ministers must have “due regard” to the requirements of Part 1 of the United Nations Convention on the Rights of the Child (“the Convention”) and the Protocols when making any decision about provision proposed to be included in an enactment, as is the case here.

Step 1 – What is the piece of work?

In the Spending Review 2010, the UK Government announced that it would localise support for council tax from 2013-14. It was also announced that the funding to provide this support would be reduced by 10% and moved from demand-led from Annually Managed Expenditure to the Department Expenditure Limit budget⁴¹, meaning that the provision of council tax support will have to be managed within a fixed budget.

The Welfare Reform Act 2012 contains provisions to abolish council tax benefit in its current form across Great Britain. From 31 March 2013 council tax benefit will come to an end and the responsibility for providing support for council tax and the funding associated with it, will be passed to local authorities in England, to the Scottish Government and to the Welsh Government.

Therefore the Welsh Government, in partnership with local authorities in Wales, has to develop and implement a new scheme in sufficient time to provide council tax support for those on low incomes or in vulnerable groups, by 1 April 2013.

The current council tax benefit system

Council tax benefit (CTB) is designed to provide support to those with low income and savings so that it either fully covers or in effect reduces a household’s council tax burden.

Currently local authorities administer council tax benefit in accordance with national criteria set by the Department for Work and Pensions (DWP) and they are reimbursed by the DWP for support provided in this way.

⁴¹ Departmental Expenditure Limits are firmly planned budgets and are fixed over a number of years therefore spending must be contained within the funding provided.

As at May 2012, there were over 330,000 recipients of council tax benefit in Wales. This means that around a quarter of the households in Wales receive support with their council tax.⁴²

Development of a new scheme to provide council tax support

The Welsh Government has the flexibility to design and implement a new scheme to provide support with council tax to those on low incomes or in vulnerable groups in Wales. However the new scheme is subject to the following significant and inexorable constraints:

- It must be operable within the legal powers of the Welsh Government. These powers specifically exclude the operation of any kind of benefit scheme or system because 'social security' remains a non-devolved matter;
- It must be viable and sustainable within the reduced level of funding provided by the UK Government, with demand for support being managed within a fixed budget which is expected to continue to be reduced in real terms; and
- It must be deliverable by 1 April 2013, although it will be subject to subsequent development, due to the introduction of other welfare reforms and the abolition of CTB from 31 March 2013.

In considering the development of a new scheme and following consultation and research, Welsh Ministers also agreed that in addition to the constraints above, the new scheme should also observe the following parameters:

- Be a single nationally-defined scheme to provide a consistent level of support to claimants across Wales;
- Provide a small number of discretionary elements, similar to those available under the current CTB scheme, to allow local authorities to respond to their differing local circumstances (provided that the costs of any local variation are locally funded);
- Be based on a reform of the current CTB system – at least in the first year – to ensure that the operational risks are managed and that support can continue to be provided after April 2013 given the extremely challenging timetables; and
- Where possible, simplify the existing complex arrangements.

In order to develop proposals for a new scheme, the Welsh Government has been working alongside key service delivery partners in local government to make the best use of the knowledge and expertise that exists in Wales. We have also maintained close links with counterparts in DWP, the Department for Communities and Local Government and the Scottish Government. This work, along with responses to the consultation on the policy and delivery options for the new scheme, and independent research commissioned from the Institute for Fiscal Studies was developed into an options paper for Cabinet that was considered in June 2012.

⁴² This is based on the total number of chargeable dwellings in Wales of 1327012 in 2010/11 [<http://www.statswales.wales.gov.uk/TableViewer/tableView.aspx>]

This document focuses on the policy option endorsed by Cabinet, namely that the new scheme should rebate a fixed percentage of a claimants' council tax liability – meaning that all claimants will have to pay some council tax. It should be read in conjunction with the detailed equality impact assessment that has also been undertaken.

Funding for the new scheme to provide council tax support

The Welsh Government is making every effort to secure a fair funding transfer to Wales from the UK Government and negotiations are still ongoing with HMT and DWP regarding the funding transfer for the new scheme.

As well as the funding the cost of the support itself, this means receiving fair and accurate administrative funding and adequate cover for the new burdens that introducing this scheme will place on the Welsh Government and local authorities in Wales.

DWP has recently advised local authorities that the existing administration subsidy arrangements will continue for 2013-14 with a 5% reduction.

Based on subsidised CTB expenditure forecasts for 2013-14 and 2014-15, following the Autumn Statement on 5th December, HMT has indicated that the respective funding transfers to provide council tax support will be £222m and £223m.

For Wales, the proposed transfer for 2013-14 represents a shortfall of at least £22m compared to CTB expenditure outturn figures for 2011-12 – this is before increases in caseload during 2012-13 and expected increases in 2013-14 are factored in.

Step 2 – Which UNCRC rights does the work help to realise or affect?

Our assessment is that the work helps to realise or affects the following rights.

Relevant Articles	Assessment of Impacts
Article 2 – (non-discrimination) The Convention applies to everyone whatever their race, religion, abilities, whatever they think or say and whatever type of family they come from.	Respected.
Article 3 (Best interests of the child) - <u>All</u> organisations concerned with children should work towards what is best for each child.	Respected. The Welsh Government has worked closely with local government practitioners who administer the current council tax benefit system to develop a new scheme to provide council tax support in Wales. Where possible this has involved simplifying the existing complex regulations to make the new

Relevant Articles

Assessment of Impacts

scheme easier for claimants.

Article 5 (Parental guidance) - Governments should respect the rights and responsibilities of families to direct and guide their children so that, as they grow, they learn to use their rights properly.

Advice has also been sought from the third sector including various advisory bodies, as part of the consultation process on policy and delivery options for the new scheme as well as the technical consultation on the legal framework for the new scheme.

Respected. Local authorities already have well established links with local advice providers in their areas who can provide support in applying for council tax support as well as advice on financial hardship. These existing arrangements will be supported by the Welsh Government's review of Advisory Services and the development of new arrangements to deliver the social fund in Wales which will have strong links with financial capability, money advice, income maximisation and affordable credit.

Article 6 (survival and development) - All children have the right of life. Governments should ensure that children survive and develop healthily.

An independent appeals process is also being set up as part of the new scheme. Under these arrangements any appeal against a local authority's decision regarding council tax support will be referred to the Valuation Tribunal Wales. Clear information on how to appeal will be provided alongside information on the new scheme.

Respected. Where collection action is taken all local authorities are encouraged to follow the guidance document *Council Tax – Collection in the Recession*. This was produced by the Welsh Government in conjunction with local government practitioners and representatives from Citizens Advice Cymru in 2009. This report serves as a best practice guide and provides advice for local authorities, advice agencies and the public on the collection methods available. It encourages a firm but sympathetic approach to be taken and prompts

Relevant Articles

Article 12 – (respect for the views of the child) Children have the right to say what they think should happen, when adults are making decisions that affect them, and to have their opinions taken into account.

Article 13 (freedom of expression)- Children have the right to get and to share information as long as the information is not damaging to them or to others.

Assessment of Impacts

local authorities to take standard approaches to collecting council tax to reduce the discrepancies that can arise, where taxpayers experience difficulties paying their council tax.

In cases of financial hardship, a local authority can either agree alternative payment arrangements or consider using its discretionary powers under section 13A of the Local Government Finance Act 1992.

Respected. The consultation was widely circulated with the Children's Commissioner for Wales, End Child Poverty Network, Save the Children Wales and Llamau responding.

Local authorities will consult on the operation of the new scheme in their local area.

A co-ordinated programme of communications to raise awareness amongst those who will be affected by the new scheme is to be developed with local government. This will involve both national and local communication via a number of different channels and will be in a clear and easily understandable format. Training for advisory bodies will also be provided so that they are able to provide appropriate advice and support to claimants.

Respected. The consultation was widely circulated with the Children's Commissioner for Wales, End Child Poverty Network, Save the Children Wales and Llamau responding.

Local authorities will consult on the operation of the new scheme in their local area.

The impact of the new scheme will be monitored and a report will be produced and made available on the Welsh Government's website. This will

Relevant Articles

Article 17 Children have the right to reliable information from the mass media. Television, radio and newspapers should provide information that children can understand, and should not promote materials that could harm children.

Article 22 Children who come into a country as refugees should have the same rights as children born in that country.

Article 23 Children who have any kind of disability should have special care and support so that they can lead full and independent lives.

Article 26 The Government should provide extra money for the children of families in need.

Assessment of Impacts

be produced in an clear and accessible format.

Respected. A co-ordinated programme of communications to raise awareness amongst those who will be affected by the new scheme is to be developed with local government. This will involve both national and local communication via a number of different channels and will be in a clear and easily understandable format. Training for advisory bodies will also be provided so that they are able to provide appropriate advice and support to claimants.

Respected. The draft regulations regarding the scheme allow those who have recognised refugee status, humanitarian protection, discretionary leave or exceptional leave to remain granted outside the immigration rules and who are exempt from the Habitual Residence Test, to be entitled to apply for council tax support provided that their status has not been revoked.

Respected. While council tax benefit is being abolished the new system will be closely based on the existing system and under this scheme households with children with a disability receive a higher award premium to take into account the additional costs that they may face (see **Annexe C** - description of award calculation).

Respected in part. While council tax benefit is being abolished the new system will be closely based on the existing system in its first year and under this scheme households with children receive both a higher living allowance and a higher award premium (see **Annexe C** - description of award calculation).

As households with children account for 31% of expenditure on Council Tax Benefit (CTB), a reform to rebate a

Relevant Articles

Article 27 Children have a right to a standard of living that is good enough to meet their physical and mental needs. The Government should help families who cannot afford to provide this.

Assessment of Impacts

fixed percentage of a claimants' council tax liability, in line with the UK Government's cut in funding, will have a negative impact on these households as they will have to pay a percentage of their council tax bill.

Protecting these households within the main funding for the new scheme to provide council tax support was considered but would significantly disadvantage other claimants, some of whom are also protected groups, because the reduction in funding would be spread across a smaller group of claimants meaning higher reductions for individual claimants.

Respected in part. While council tax benefit is being abolished the new system will be closely based on the existing system and under this scheme households with children receive both a higher living allowance and a higher award premium (see **Annexe C** - description of award calculation).

As households with children account for 31% of expenditure on Council Tax Benefit (CTB), a reform to rebate a fixed percentage of a claimants' council tax liability, in line with the UK Government's cut in funding, will have a negative impact on these households as they will have to pay a percentage of their council tax bill.

Protecting these households within the main funding for the new scheme to provide council tax support was considered but would significantly disadvantage other claimants, some of whom are also protected groups, because the reduction in funding would be spread across a smaller group of claimants meaning higher reductions for individual claimants.

Step 4 – What action could the Welsh Ministers take next?

- The Welsh Government is working closely with local government practitioners to develop a new scheme to provide council tax support prior to the abolition of council tax benefit. The needs of children are being considered as part of this work and where possible the existing complex arrangements are being simplified. There has already been a consultation on the policy and delivery options for a new scheme, as well as a technical consultation on the legal framework in which the new scheme will operate. There are a number of other sets of regulations that need to be drafted and these will also be subject to consultation.
- The Welsh Government will work with local government to produce clear communication material for all of those impacted by the introduction of a new scheme - this could include information for children on their rights.
- Our work in this area will also be supported by the Review of Advisory Services and the development of successor arrangements for the Social Fund. A priority for the review advisory services is to determine how best to mitigate the impact of cuts in advice services budgets just when demand for these services is increasing because of the economic climate and the UK Government's reforms of the benefit system. The future arrangements for the Social Fund in Wales, due to be devolved in April 2013, will have strong links with financial capability, money advice, income maximisation and affordable credit. This will ensure that the underlying problems faced by those on low incomes are addressed at the point of application, with relevant signposting to support to maximise income and organise finances better to help avoid repeat claims.
- The scheme put in place for 2013-14 will be an interim arrangement. It will need to be reviewed during 2013-14 to take account of the funding quantum for 2014-15 and the wider welfare reforms, notably the introduction of Universal Credit from October 2013.
- Where possible obtaining and listening to views of children as this work progresses would help further develop approaches in the future. Work could also be developed to help signpost children if they feel they have been unfairly treated.

Step 5 – Ministerial Decision

This assessment will be submitted to the Minister for Local Government and Communities to be considered alongside the draft regulations that will bring a new scheme into effect.

Step 6 – Keeping Records

This assessment is stored on the Welsh Government's record system, iShare.