

REPORT FOR INFORMATION

REPORT TO:	COUNCIL
DATE:	12 DECEMBER 2012
SUBJECT:	LOCAL SCHEME OF COUNCIL TAX SUPPORT
REPORT FROM:	CABINET MEMBER FOR FINANCE & RESOURCES
CONTACT OFFICER:	MIKE OWEN, EXECUTIVE DIRECTOR OF RESOURCES
TYPE OF DECISION:	COUNCIL
FREEDOM OF INFORMATION/STATUS:	The report is for publication.
SUMMARY:	The report provides Members with an up-date on the development of a local Council Tax Support scheme and sets out recommendations to deliver a local scheme within the available budget.
OPTIONS & RECOMMENDED OPTION	<p>Council is asked to approve the Scheme set out in the report, to be introduced with effect from 1st April 2013.</p> <p>Council is also asked to approve that agreement of the specific legal wording of the local Regulations enacting the Council Tax Support Scheme set out in the report be delegated to the Chief Executive in consultation with the Leader of the Council, the Cabinet Member for Finance and Resources and the leaders of the two other political parties represented on the Council.</p>
IMPLICATIONS:	
Corporate Aims/Policy	Do the proposals accord with the Policy

Framework:	Framework? Yes
<p>Statement by the S151 Officer: Financial Implications and Risk Considerations:</p>	<p>The financial implications arising from the report are centred around the large cut in Government funding that accompanies the localisation of Council Tax support. In Bury it is expected that there will be a shortfall of £1.4m and the report examines in detail the options for addressing this gap.</p> <p>It is strongly recommended that Members do not seek to absorb the loss of Government funding from within existing resources.</p> <p>The cost of designing and implementing a local scheme to replace Council Tax Benefit is unknown but substantial. At this stage there is no indication of the level of Government funding likely to be provided towards this.</p> <p>The main risks are the important factors that are still to be finalised by central Government. These include the final funding formula and amounts and the finalised legislation for both local schemes and changes to Council Tax discounts and exemptions. At this stage prudent assumptions have been made but these will be revised as greater clarity over legislation and funding arrangements emerges.</p> <p>Given the fixed nature of Government support there will be a risk that increased demand resulting from higher take up, or in the number of people needing assistance or existing claimants' income reducing will have a direct impact on local authorities. This is a particular risk for Bury as the Council has seen rising caseloads in recent years due to the impact of the current recession. To attempt to mitigate this risk the local scheme will be subject to ongoing review in future years.</p>
<p>Statement by Executive Director of Resources:</p>	<p>In considering the nature of the draft local scheme it is important to recognise that collecting any, or increased, Council Tax from people who previously had higher levels of Council Tax Benefit will prove challenging and costly. However, the comments of the s151 officer regarding the lack of available existing resources to cover the Government's funding cut are fully supported.</p> <p>For the first year of local schemes, the Council</p>

	<p>will have difficulty delivering any feature of Council Tax Support that is different to the present scheme unless the providers of our processing system can deliver software that copes with those features. Their ability to do this has been severely hampered by the fact that the underlying legislation only received Royal Assent at the end of October 2012.</p> <p>The Government has offered local government a total of £100m to those authorities who adopt schemes that must comply with criteria set by Government. However this grant is a one-off and accepting it will involve implementing a scheme that runs counter to the priorities set by the Cabinet when they considered the draft scheme. It will also involve the billing and collection of very small sums across a wide range of benefit claimants leading to an increase in collection costs, potential increases in write-offs. There would also have to be a further consultation on changes to the scheme in 12 months time should the grant be accepted which in itself will be costly and confusing to claimants.</p>
Equality/Diversity implications:	The Council will have to comply with its equality duties. The proposals and the outcome of the consultation will be subject to a full equality assessment.
Considered by Monitoring Officer:	The legal duties on the Council are set out in the report. The supporting legislation for local schemes has not yet been agreed but the Council had a duty to consult on its local Council Tax support scheme, and has done so.
Wards Affected:	All
Scrutiny Interest:	Overview and Scrutiny Committee

TRACKING/PROCESS

DIRECTOR: Mike Owen

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Yes	Yes		
Scrutiny	Committee	Council	

Committee			
Overview & Scrutiny 9/10/12	Cabinet 22/8/12	12/12/12	

1.0 BACKGROUND

- 1.1 The report outlines the background, options and recommendations for delivering a local scheme of Council Tax Support scheme with effect from April 2013.

2.0 THE CURRENT SCHEME

- 2.1 The present Council Tax Benefit scheme has been in place since the introduction of Council Tax in 1993. It is a national scheme administered by local authorities but prescribed in extensive detail by the Department for Work and Pensions (DWP).
- 2.2 Claimants who receive the DWP means-tested benefits (income-based Jobseekers' Allowance, Income Support, income-related Employment & Support Allowance and Pension Credit that includes the Guarantee Credit) are entitled to maximum help with their Council Tax without further means testing; they are "passported" to full benefit (subject to any contribution needed from other people in their household).
- 2.3 Others can receive help on the basis of a complex means test, assessed by the Council that provides a level of help proportionate to the claimant's circumstances and income.
- 2.4 Council Tax Benefit pays the full liability for Council Tax for the poorest claimants. Local authorities are, to all intents and purposes, fully funded by the DWP for their Council Tax Benefit expenditure; local authorities therefore do not carry the risk of changing caseloads or changes in the level of deprivation.
- 2.5 Local authority administration of Council Tax Benefit is combined with the administration of the very similar Housing Benefit scheme. As local authorities see it, Council Tax Benefit for tenants is administered painlessly on the back of Housing Benefit. The assessment for owner-occupiers stands alone and is a real administrative cost. The DWP pays an administration grant towards the cost of administering Housing Benefit and Council Tax Benefit.
- 2.6 In 2012/13 Bury expects to pay £14.6m of Council Tax Benefit to around 18,300 claimants from a total of around 81,500 households. A proportion of these receive full benefit for the whole financial year but many receive less than full benefit or receive benefit for only part of the year so have a reduced bill to pay.

3.0 PROPOSALS TO LOCALISE COUNCIL TAX SUPPORT

- 3.1 The Government is now legislating to abolish Council Tax Benefit with effect from April 2013 and it intends to replace it with powers for local authorities to

design and run their own schemes for which the Government would provide funding. To achieve this, the Local Government Finance Act 2012 imposes a duty on billing authorities such as Bury to agree a localised Council Tax support scheme by 31st January 2013.

3.2 However under these proposals the Government proposes to set the grant payable to Councils at 90% of the estimated spend on Council Tax Support, meaning that Councils will have to address a 10% shortfall in the funding that they receive. Furthermore the Government is also intending to fix the level of their support for 7 years meaning that Councils will bear the risk and cost of increases in claimant numbers.

3.3 Before agreeing a local scheme the Council will have a duty to consult with major precepting authorities (Police and Fire) and such persons it considers likely to have an interest in the scheme. An initial approach has already been made to the Police and Fire authorities and they are being provided with a copy of this report so they can make their comments back to the Council.

3.4 The key issues that the Council faces as a result of these proposals include:

- The supporting legislation to allow the introduction of local schemes has only recently received Royal Assent.
- The funding to be provided for the new provision will be cut by 10% although full details of this have not yet been provided.
- Council Tax collection from those households that receive partial Council Tax Benefit is already more difficult than from those with incomes above the benefit threshold. The changes will mean that Council Tax collection will be even more challenging.
- The Government's proposals do not allow Councils complete freedom in the design of their schemes and they have stipulated that the elderly are to be protected. Around **45%** of Bury's benefit caseload would be classed as elderly and if the amount paid for people of pension age cannot be reduced then the cuts in benefit will be higher for working age claimants and in Bury protecting pensioner claimants means the percentage cut for working age claimants is estimated to fall within the range of **15%-20%**.
- The risk of changing caseloads is transferred to local authorities. Unlike now, funding will be determined in advance, not based on actual spend.
- As the Government is also abolishing Housing Benefit, subsuming it gradually into Universal Credit from October 2013, and into Pension Credit from October 2014, local authorities will not be able to administer their new schemes more efficiently on the back of Housing Benefit for all but owner-occupiers; they will retain the major part of the administrative burden of means testing for tenants.
- A new scheme will need to be up and running, with existing cases assessed, by early March 2013 so that claimants receive rebated bills where appropriate. The timescale for designing, consulting on and implementing a new scheme is extremely tight.
- If the Council doesn't introduce a local scheme by the due date then a default scheme developed by the Government will be imposed on us. As this will mirror the current DWP scheme in all material effects, it will lead to costs similar to those currently incurred and lead to a budget shortfall for the Council and the Police and Fire Authorities.
- The scheme is being introduced in advance of the introduction of Universal Credit which will provide potentially reduced income for many of those also receiving Council Tax support, though the inter-action is still unknown.

3.5 The Council has to come up with a scheme for year one implementation. It is important to note that any scheme can be reviewed and amended on an annual basis as required. Any review of the scheme for year two and later years will need to take into account under or over achievement of the associated financial impact, changes to the claimant caseload and the management and numbers of Council Tax accounts.

4.0 WELFARE REFORM CONTEXT AND AGENDA

4.1 This change to Council Tax Benefit/Support is part of a wider series of changes that make up the Government's welfare reform agenda and reform of local government finance.

4.2 These reforms will have a direct effect on the Council's role in benefit administration:

- Between 2013 and 2017, Housing Benefit (currently administered by the Council) will be phased out and help with housing costs will form part of a Universal Credit benefit (administered by DWP).
- From April 2013, the national Council Tax Benefit scheme will be abolished and will be replaced with locally determined Council Tax Support schemes (funded by only 90% of a current spend, the baseline of which is yet to be formally confirmed). The parameters of these local schemes are in part determined by Central Government in that pensioners are protected from any reductions.
- From April 2013, the Discretionary Social Fund will be abolished (currently administered by DWP) and a baseline budget will be transferred to the Council. Although there is no new legal duty to provide support, the aim of this money is to support vulnerable residents and local priorities.
- From 2013, the Council's Discretionary Housing Payment (DHP) budget will only be available to support a shortfall in Housing Benefit/Local Housing Allowance and will exclude shortfalls in Council Tax Support. This will require a review of the Discretionary Housing Payment policy in the context of increasing demand due to changes to the benefits regime (social sector under occupation, increase in non-dependant deductions, under 35 shared room rate, household benefit cap etc).

4.3 In real terms, although allowing increased control in some areas, the changes are challenging in that they will inevitably result in reduced funding, changes in current provision and adverse effects on some benefit claimants.

4.4 Unexpectedly, and close to the end of the consultation period, the Government made available a **one-off** grant of £100m nationally (of which Bury's share could be in the order of £0.340m) to 'provide the space for authorities to make the most of opportunities to find savings across their budgets to mitigate the initial funding cut. However, to apply for a grant, billing authorities must adopt schemes which ensure that:

- Those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability;
- The taper rate does not increase above 25%;
- There is no sharp reduction in support for those entering work.

5.0 OPTIONS

5.1 As explained in section 3, the detailed methodology for calculating the amount of Government grant that the Council will receive under the new scheme is not yet known and so the funding shortfall has not yet been confirmed. However it is anticipated that we will face a shortfall of around **£1.4m** in 2013/14.

5.2 There are four main options for funding the anticipated shortfall in Government support for any local scheme:

- fund the shortfall by making savings from elsewhere in the Council's budget;
- increase revenue by making use of potential new powers to change the Council Tax charges levied to second homes and empty properties;
- meet some or all of the shortfall by amending the current scheme. This could be done in such a way that all claimants could be affected or alternatively a number of 'vulnerable' groups could be protected.
- A combination of the above together with the one-off grant provided by the Government

5.3 These options are explored below and it is important to note that they are not mutually exclusive i.e. the shortfall could be found from a combination of these options.

5.4 Funding from elsewhere within the Council's existing budgets

5.4.1 Members will be aware that the Council's budget is already under considerable pressure as a result of:

- significant reductions in central Government grant;
- tight limits on the extent to raise Council Tax rates;
- considerable pressures on current budgets from increasing demand and falling income;
- the need to find an additional £1.9m as a result of the 2012/13 Council Tax freeze;
- savings targets already identified as part of the Plan for Change.

5.4.2 It is therefore considered unrealistic to require a reduction in spend on services to residents in other areas of the Council in order to fund this gap in Central Government provision. Furthermore Members are reminded that the funding gap is on-going and it would not be prudent to fund this from reserves which would only provide one-off funding.

5.5 Changes to Council Tax charges

5.5.1 The Government has introduced legislation to make the following changes to the Council Tax system.

- Changing the existing exemptions for properties which are:
 - empty and unfurnished, currently awarded for 6 months
 - empty and undergoing renovation or structural repairs, currently awarded for 12 months

- Allowing the Council to charge an 'empty homes premium' of up to 150% on top of the existing Council Tax payable for properties that have been empty for more than two years.
- Giving the Council the power to charge full Council Tax on empty second homes, which currently receive a 50% discount in Bury.

5.5.2 The Council also has other options to reduce the amount of some Council Tax discounts for empty properties using existing legislation.

5.5.3 The changes would provide scope to increase revenue by charging for empty properties and second homes.

5.6 Changes to the current scheme

5.6.1 There are a number of variables within the scheme that could be amended to provide savings up to whatever level Members decide:

- Restrict maximum amount of Council Tax to a lower Council Tax band
- Abolish some or all income disregards
- Cap benefit awards to a % of total liability
- Impose restrictions based on household size
- Reduce capital limits
- Other sundry amendments

5.6.2 Members also have discretion to decide the extent to which they safeguard 'vulnerable' groups from the effects of changes to the scheme.

5.7 Government grant

5.7.1 The Government has offered local government a total of £100m to those authorities who adopt schemes that must comply with criteria set by Government. However this grant is a one-off and accepting it will involve implementing a scheme that runs counter to the priorities set by the Cabinet when they considered the draft scheme. It may also involve the billing and collection of very small sums across a wide range of benefit claimants leading to an increase in collection costs and potential increases in write-offs. Given the one-off nature of the grant then there will also have to be a further consultation in 12 months time in order to allow changes to be made to the Scheme to reflect the withdrawal of the grant which in itself will be costly and confusing to claimants. As set out in 5.4 above, it is unlikely, due to other Government cuts, that the Council would be able to make savings from elsewhere within its budget to mitigate the 10% cut in funding for Council Tax support.

5.8 Software

5.8.1 The Council's software provider Civica has delivered a modelling tool which has enabled detailed funding estimates to be prepared. Civica are confident that all changes in the modelling software can be successfully incorporated into the existing processing system, before the Government's deadlines.

5.9 Consultation

- 5.9.1 The Council has carried out a consultation exercise based on proposals agreed by Cabinet on 22nd August.
- 5.9.2 The consultation was broadly supportive of the proposals. A number of minor changes have been made to the original proposals based on responses to the consultation. A full summary can be found in Appendix 2.
- 5.9.3 As a result of responses received it is proposed that the initial draft scheme should be amended to introduce a new nil non dependant category for the low paid. The reason for this is that the current non dependant deductions and applicable amounts can give rise to the situation where a single person who is in receipt of a low level of wages finds it cheaper to move out of the family home because their non dependant deductions are greater than their contributions to rent and Council Tax if they were to rent their own property. This particularly affects young people on apprenticeships.
- 5.9.4 This proposal would cost £21,158 based on our 2011/2012 caseload, and would affect 335 current claimants. It is anticipated that the amendment can be met from within existing resources.

6.0 TIMESCALES

- 6.1 The process of developing a local scheme has been made extremely fraught by the fact that the supporting legislation only received Royal Assent on 31st October 2012.
- 6.2 If the Council fails to deliver a local scheme by 31st January 2013, the Government will impose a default scheme that is based on the current scheme but with the revised level of funding, leading to a budget shortfall.
- 6.3 Timescales therefore are: -
- 22 August 2012 – Cabinet agreed draft scheme for consultation
 - 1 September 2012 to 31 October 2012 - consultation period
 - 9 October 2012 – report presented to Overview and Scrutiny Committee
 - October 2012 – unexpected offer of additional one-off grant support from the Government
 - November 2012 - review feedback and scheme proposals and completed Equality Assessments
 - 12 December 2012 – Council to consider recommendations from Cabinet
 - March 2013 – Council Tax bills issued reflecting the impact of the new scheme

7.0 RECOMMENDATIONS

- 7.1 In considering options to address the gap left by then reduction in Government funding, and the possible features of a local scheme of Council Tax support the following principles were adopted:

- As far as possible, reflecting the outcome of the Plan for Change consultation, the local scheme should aim to protect vulnerable people in the borough from the effect of the changes;
- The new scheme should contain a mixture of measures with the aim of spreading the effect of the Government cuts;
- Savings should not be found from other areas of the Council's budget;
- The administrative burden of the scheme should be minimised as far as possible;
- Where possible, the local scheme should not be more complex for claimants to understand.

7.2 The proposals are suggested for year one and can be modified and updated for year two and onwards when the impact of the changes has been monitored and assessed.

7.3 Changes to the Council Tax regime

7.3.1 It is recommended that for 2012/13 the Council assumes a level of income from changing how Council Tax is charged on empty properties and second homes and uses this income to partially mitigate the cuts in Council Tax Support from working age claimant population. The detail behind this option is shown in Appendix 1.

7.4 Local Council Tax Scheme

7.4.1 Proposals for the scheme will operate within the following principles, full details of which are outlined in Appendix 1.

Compliance with statutory duties

- The Council will comply with its duties in relation to the Equality Duty (Equality Act 2010), duty to mitigate the effects of child poverty (The Child Poverty Act 2010) and the duty to prevent homelessness (The Housing Act 1996);
- The proposals and outcome of the consultation will be subject to a full equality impact assessment.

Claims from people over pension age

- At this stage, the Government has determined that people over the state pension age for women, and younger people with a partner over the state pension age for women, will receive help with Council Tax under a national scheme as now. The Council has no power to change this.

Claims from people of working age

- The following groups should be defined as 'vulnerable' and protected:
 - people in receipt of disability benefits;
 - carers;
 - lone parents with children under 5;
 - war pensioners;
 - the bereaved for a period of 12 months.

- Based on these principles the following changes will be made to the eligibility criteria used as part of the current Council Tax Benefit Scheme (abolished from April 2013) and the remaining eligibility will be carried forward into a Bury Council Tax Scheme (introduced from April 2013). Full details of the draft Bury scheme are set out in Appendix 2.
- The specific changes from the current Council Tax Benefit scheme are:
 - Second Adult Rebate is withdrawn;
 - Awards will be capped at Council Tax band B;
 - Awards will not be paid where the weekly amount is less than £1.
 - Back-dated benefit will be abolished;
 - Non-dependent deductions will be increased by 20% subject to the proposal set out in section 5.9;
 - Upper capital limits will be reduced to £6,000

Members are asked to note that individual households may be affected by more than one of the proposals.

- It should be noted that from April 2013, Discretionary Housing Payments can no longer be used to support Council Tax and so it is recommended that the Council develops a Discretionary Support Scheme to support vulnerable residents with extreme hardship and support the transition into work for low paid residents. Funding for this could be taken from the discretionary Social Fund that will be passed from DWP to the Council in April 2013.

8.0 EQUALITY IMPACT ASSESSMENTS

- 8.1 The requirements of Section 149 of the Equality Act state that public bodies must have due regard to the need to:
- i. Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act.
 - ii. Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
 - iii. Foster good relations between people who share a protected characteristic and people who do not share it.
- 8.2 The Council has undertaken a comprehensive Equality Impact Assessment of the proposals. The assessment has considered in detail what impact the proposals could have on the protected characteristics: age, disability, gender reassignment, pregnancy, maternity, race, religion or belief, sex and sexual orientation.

9.0 CONCLUSIONS

- 9.1 Given the scale of the cut in Government funding it is inevitable that there will be some financial impact on some claimants and property owners. However the Council has no option but to deliver the new scheme within the timescales in accordance with the available budget.

- 9.2 Using income generated from increasing charges to some areas of Council Tax including second homes and empty properties can partially mitigate the impact on benefit claimants but Members should be aware that in turn this could have impacts on wider regeneration and property development.
- 9.3 The scheme that is proposed for consultation seeks to protect the most vulnerable people within the borough and the fact that the scheme does not change the way that certain other benefits are disregarded within the local scheme means that over £0.5m of Council Tax support will continue to be paid to vulnerable people.

Councillor Tony Isherwood
Cabinet Member for Finance and Resources

List of Background Papers:-

None

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