

Localisation of Council Tax Support

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Background

- The Council currently administers **on behalf of the Government** a scheme for providing support with Council Tax costs to people on low incomes – Council Tax Benefit (the current scheme)
- The Government is legislating to 'localise' this scheme whilst at the same time imposing a 10% reduction in the amount of funding that they will provide to pay for such support (the new scheme)
- We will 'lose' funding of around **£1.4m** a year

Current Scheme

- Administered on behalf of Department for Work and Pensions
- Regulations from central government
- Demand led scheme
- Means tested
- Linked to Housing Benefit
- Current spend £14.6million pa, no limit to funding

New Scheme

- Local scheme with a degree of local discretion but with some central prescription
- **Fixed amount** of money, with 10% reduction compared to current allocation - £1.4million
- **This means we have to also absorb the costs of increased claimant numbers**
- Government stipulate that benefit must not reduce for pensioners
- One claim per household and benefit paid directly to Council Tax account
- Means tested benefit
- Impact of, and cross over with, other Universal Credit changes not yet clear

Protecting Pensioners

- Pensioners will be protected by new Council Tax Support legislation – no change allowed
- Currently 45% of people claiming Council Tax Benefit are pensioners
- A pensioner couple cannot see a reduction in the amount of benefit they are currently receiving under the new scheme
- Cuts in funding therefore have to be concentrated on remainder of caseload – will be in the order of 15% - 20%

Timescales

- Scheme to be operational by 1 April 2013
- Final scheme needs full Council approval by 31 January 2013 at the latest
- **BUT** need to allow time for adequate publicity of the new scheme so approval needed by full Council in December 2012 at the latest
- Public consultation taking place between 4 September and 31 October
- If local scheme not introduced then the Gov't will impose a default scheme. This will be the same as the current scheme and so the 10% shortfall will have to be found from cuts in other services.

Options to Protect Other Groups

- We have the discretion to protect other working age claimants from the full effects of any changes
- Categories are similar to those considered to be vulnerable under current scheme
 - Disabled claimants
 - Carers
 - Lone parents with children under 5
 - War veterans
 - Widows and widowers – possibly time limited
 - Workers – more generous means testing to provide work incentives??

Funding Options

- There are various options for addressing the funding shortfall:
 1. Make local scheme mirror current scheme and absorb funding cut by savings in other areas of the Council's budget (but see next slide)
 2. Attempt to absorb funding cut by exploiting new opportunities to raise additional Council Tax (Government's apparent preference)
 3. Amend the current scheme
- **These are not mutually exclusive**

1. Absorb Costs

- The 2013/14 budget position looks like this:

Cost of Council Tax freeze	£1.9m
Cost of cut to Council Tax support	<u>£1.5m</u>
Total to find (on-going)	<u>£3.4m</u>

- This is in addition to the £9.8m of savings already identified for 2013/14 and 2014/15 in the Plan for Change
- **Absorbing the costs of the 10% reduction is therefore not felt to be a feasible option**

2. Council Tax changes

- Reducing discounts for empty properties and charging Council Tax for some empty properties which are currently exempt:
 - Uninhabitable properties
 - Repossessed properties
 - Second homes
 - Properties which have been empty for more than 2 years
 - Other discounts

3. Amend current scheme

- There are various options for amending the current scheme:
 - a. Set maximum award of benefit
 - b. Change income disregards
 - c. Change features of the scheme
- **Again, these are not mutually exclusive**

Options for Consultation

- Following discussions at the Council's Cabinet it was decided to consult on the following way forward:
 - 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 effect of Government cuts.
- 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

Options for Consultation

- The funding shortfall should be addressed mainly by raising additional Council Tax from empty properties and changing discounts
- There should be the following amendments made to the scheme in respect of **non-vulnerable** working age claimants:
 1. Restrict benefit to the level of a band B property
 2. Abolish second adult rebate
 3. Abolish backdated benefit
 4. Set minimum level of £1
 5. Reduce upper capital limit to £6000
 6. Increase non-dependent deductions by 20%

Options for Consultation

- We are also consulting on the possibility of putting a hardship scheme in place
- A hardship scheme will also It is important to note that by continuing to disregard income for people who receive child benefits and for the disabled and war pensioners the following amounts of Council Tax support will be paid to these groups:
 1. Child benefit **£441,000**
 2. Disabled people **£250,000**
 3. War pensioners **£32,000**
- This protection goes beyond that being offered by most Gtr. Manchester authorities

What Next?

- This presentation is part of a wide-ranging consultation exercise.
- You can have your say by visiting our web-site (www.bury.gov.uk) and filling in the questionnaire or by writing to the Executive Director of Resources at Bury Town Hall, Knowsley Street, Bury, BL9 0SW
- All responses will be considered before a final recommendation is made to the Council's Cabinet on 28 November