

REPORT FOR DECISION

REPORT TO:	COUNCIL
DATE:	11 DECEMBER 2013
SUBJECT:	LOCAL SCHEME OF COUNCIL TAX SUPPORT
REPORT FROM:	DEPUTY LEADER and CABINET MEMBER FOR FINANCE & CORPORATE AFFAIRS
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 local Council Tax Support scheme and sets out recommendations to continue to deliver a local scheme within the available budget.
OPTIONS & RECOMMENDED OPTION	<p>Council is asked to agree that the Scheme introduced with effect from 1st April 2013 is continued without change from 1st April 2014 to 31st March 2015.</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 Executive Director of Resources in consultation with the Leader of the Council, the Cabinet Member for Finance and Corporate Affairs and the leaders of the two other political parties represented on the Council.</p>
IMPLICATIONS:	

Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the S151 Officer: Financial Implications and Risk Considerations:	<p>The financial implications arising from the report are centred around the large cut in Government funding that accompanied the localisation of Council Tax support. The existing scheme was designed to address this gap while providing as much protection as possible for the most vulnerable claimants.</p> <p>The performance of the scheme is closely monitored and to date caseload and collection are within anticipated projections. However, given the fixed nature of the government grant to fund the scheme, the risk continues that increased take up or reductions to the income of existing claimants will have a direct impact on local authorities.</p> <p>It is strongly recommended that Members do not seek to absorb the loss of Government funding from within existing resources due to the parlous state of the Council's budget in future years.</p>
Statement by Executive Director of Resources:	In considering the nature of the local scheme, it is important to recognise that collecting increased, or any, Council Tax from people who previously had higher levels of Council Tax Benefit is both challenging and costly. However, the comment by the s151 Officer regarding the lack of available existing resources to cover the funding cut is fully supported.
Equality/Diversity implications:	A comprehensive Equality Impact Assessment on the 2013-2014 scheme was completed following consultation. Given that no changes to the scheme are proposed, this remains applicable.
Considered by Monitoring Officer:	The legal duties on the Council are set out in the report. The supporting legislation for local schemes has not been changed from the original Council Tax support scheme. There is no requirement to consult unless changes are made.
Wards Affected:	All

Scrutiny Interest:	Overview and Scrutiny Committee
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TRACKING/PROCESS

DIRECTOR: Mike Owen

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
No	Yes		
Scrutiny Committee	Committee	Council	
No		11/12/13	

1.0 BACKGROUND

1.1 The report outlines the background, current scheme, context of overall Welfare Reform and recommendations for delivering a local scheme of Council Tax Support with effect from April 2014.

2.0 CHANGES TO THE SCHEME

2.1 The current local scheme was introduced in Bury from April 2013. Prior to this, a national scheme was in place: Council Tax Benefit. This was administered by local authorities but prescribed in extensive detail by the Department for Work and Pensions. Council Tax Benefit paid the full liability for Council Tax for the poorest claimants. Local authorities were, to all intents and purposes, fully funded by DWP for their Council Tax benefit expenditure: local authorities therefore did not carry the risk of changing caseloads or changes in the level of deprivation.

2.2 The abolition of Council Tax Benefit and introduction of local schemes included the provision that the grant payable to Councils was set at 90% of the estimated spend on Council Tax Benefit in 2012-13. This meant that Councils had to address a 10% cut in the funding they received. Furthermore, the level of support was fixed for 7 years meaning that Councils will have to bear the risk of cost of increases and any increases in claimant numbers.

2.3 Before agreeing a scheme the Council had a duty to consult with major precepting authorities (Police and Fire) and such persons it considers to have an interest in the scheme.

2.4 The key issues the Council faced as a result of the introduction of local schemes were:

- Extremely tight timescales with the supporting legislation to allow the introduction of local schemes only receiving Royal Assent in December 2012.
- The funding to be provided for the new provision was cut by 10%.

- Council Tax collection from those households that received partial Council Tax Benefit was already more difficult than from those with incomes above the benefit threshold. This presented even more challenges to Council Tax collection.
- The Government's changes did not allow Councils complete freedom in the design of their schemes and it was stipulated that the elderly were to be protected. This provision remains and meant that as around 45% of Bury's benefit caseload were classed as elderly the cuts for working age claimants had to be higher. In Bury, protecting pensioner claimants means the percentage cuts for working age claimants was estimated to fall within the range of 15%-20%.
- The risk of changing caseloads was transferred to local authorities i.e. funding had to be determined in advance, not based on actual spend.

3.0 LOCALISED COUNCIL TAX SUPPORT

3.1 The scheme which was established in Bury, following consultation, reflected the Council's priority in considering the needs of vulnerable people and aimed to mitigate the detrimental impact it would have on residents who would face increased Council Tax due to restrictions on the amount of Council Tax Support they would be entitled to.

3.2 In order to help meet the reduction in Government funding it was necessary for the local scheme to incorporate the following specific changes from the previous Council Tax Benefit scheme:

- Second Adult Rebate withdrawn
- Awards capped at Council Tax Band B
- Awards not paid where the weekly amount was less than £1
- Back-dated benefit abolished
- Non-dependent deductions increased by 20%
- Upper capital limits reduced to £8,000

3.3 The following provisions were also incorporated into the scheme:

- Various groups were defined as 'vulnerable' and therefore protected:
 - people in receipt of disability benefits
 - carers
 - lone parents with children under 5
 - war pensioners
 - the bereaved (for a period of 12 months)
- A new nil non-dependent deduction category for the low paid was introduced. This was to avoid the situation where a single person in receipt of a low level of wages finds it cheaper to move out of the family home because their non-dependent deductions are greater than their contributions to rent and Council Tax if they were to rent their own property. This particularly affected young people on apprenticeships.
- From April 2013, discretionary Housing Payments could no longer be used to support Council Tax and therefore a Discretionary Support Scheme to support vulnerable residents with extreme hardship and support the transition into work for low paid residents. This was funded via the discretionary Bury Support Fund established in April 13.

3.4 The remaining shortfall was covered by withdrawing the local Council Tax Over-65s discount and by implementing Council Tax charges for empty properties and second homes.

4.0 COUNCIL TAX SUPPORT SCHEME 2014/2015

4.1 The Council is required to review and amend its scheme annually.

4.2 In doing this it is necessary to consider a variety of factors:

- Performance of the scheme in 2013/14
- The level, and adequacy, of Government funding for 2014/15
- The Council's overall financial position
- Options for changing the scheme if required
- The outcome of previous consultation

4.3 To date the 2013/14 scheme appears to be meeting its objectives although from a purely financial perspective this can vary and fluctuate throughout the year. However, take-up and Tax collection assumptions are being closely monitored and to date collection overall remains strong and in line with targets whilst caseload has actually decreased slightly.

4.4 Government funding for Year 2, 2014/15, remains the same as for Year 1 and reflects a 10% cut in the level of support provided in the last financial year of the national scheme i.e. 2012/13. As funding is fixed consideration has therefore to be given to whether further cuts to the existing scheme need to be made, taking account of how the scheme has performed in relation to that projected.

4.5 Given that claimant numbers and collection rates are assumed to be broadly in line with 2013/14 then the shortfall is in line with that assumed for the current year.

4.6 The Council could consider amending the scheme to make it more generous and reverse some of the detrimental changes made in Year 1 of the scheme. However, the Council is not in a position to fund any part of the shortfall from savings elsewhere in the budget due to the already considerable pressure on it. It is considered unrealistic to require a reduction in spend on services to residents in other areas of the Council to fund the gap. 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.

4.7 Furthermore, whilst caseload has decreased slightly it would be imprudent to rely on this trend continuing. Therefore it would be a risk to rely on this to make any positive changes to the scheme at this stage.

4.8 Finally, it is also worth noting that whilst there is a small discretionary Support Fund (£30K) available to customers experiencing severe hardship few customers have presented themselves in extreme hardship due to the detrimental changes to the scheme.

- 4.9 Alternatively the Council could consider amending the scheme to further cut payments to local residents and, in doing so, reduce the reliance on Council Tax income to meet the funding shortfall. This would free up funding to support other Council services.
- 4.10 Further changes to the scheme could include restricting payment to Band A, including child benefit (which is currently disregarded) as income, or applying a percentage cut across the board as many local authorities have done in their Year 1 schemes.
- 4.11 However it should be noted that the current scheme was the subject of widespread consultation and it is meeting its financial and social objectives. In comparison to other local authorities who adopted schemes including cuts across the whole caseload there has been relatively little negative feedback. For this reason, and given the acceptable current year performance, it is not recommended that the scheme should be tightened.
- 4.12 The above analysis suggests that there is confidence that the current scheme meets the needs of its residents while being financially sustainable. In addition the Council's overall financial situation means that there is currently no option to amend the scheme to make it more generous. It also remains somewhat precarious in terms of any change to caseload or collection rates could have a financially detrimental effect. As a result it is recommended that the 2013/14 scheme is carried forward into 2014/15 unchanged.

5.0 WELFARE REFORM CONTEXT AND AGENDA

- 5.1 The changes 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. Bury Council have sought to alleviate the impact of Welfare Reform from this change and others by working with residents where possible.
- 5.2 The Welfare Reform Board oversees all partnership initiatives in relation to Welfare Reform. The Board includes representatives from Bury Council, Six Town Housing, Citizens Advice Bureau, Department for Work and Pensions and various landlord organisations.
- 5.3 The impact of Welfare Reform on Bury has been significant. As at the start of the financial year:
- Numbers affected by reductions in Council Tax Support: 794 households
 - Number affected by under-occupancy charges (`bedroom tax`): 1500 households
 - Number of Six Town Housing tenants affected by under-occupancy charges: 938

It should be noted that residents may have been affected by more than one of the above changes.

- 5.4 Changes to the Sanctions regime administered by DWP have also had an adverse effect on residents. The system has been made stricter in terms of when and how long for a sanction is applied to claimants.

5.5 It should be noted that the timescales for the introduction of Universal Credit have recently been significantly altered. This has a bearing on administration of CTS as it is currently administered in conjunction with Housing Benefit: which is due to be subsumed into Universal Credit. Original timescales were that this would start in October 13. However, the Government has notified local authorities that they will be fully funded to continue administering Housing Benefit until 2015 at the earliest. Further, pensioner claims will not be considered as part of Universal Credit until at least the financial year 2017/18.

5.6 Various initiatives have been developed under the Welfare Reform Board:

- Close working with Citizens Advice Bureau: both Bury Council and Six Town Housing fund CAB staff to advise customers on maximising benefits and other income and also on debt advice where appropriate.
- Bury Council has seconded staff to work with Six Town Housing staff on a temporary team: the Housing Solutions Team. This team is in the process of contacting all residents affected by the under-occupancy charge in order to advise on budgeting options, downsizing or applying for a Discretionary Housing Payment.
- Corporate Debt Approach: this centres around the need to protect income due to the Council as well as providing support to those in debt. It involves taking a holistic approach to individual customers who owe debt to the Council and Six Town Housing. As well as providing debt advice and support it also includes signposting to other agencies where appropriate to help customers back into work or where more detailed debt advice is needed.
- Working with third parties such as the European Social Fund and Step-change to ensure customers are signposted to these organisations where appropriate. Front-line staff have been trained to identify and signpost customers where relevant.
- Credit Union: this has recently been established in Bury and links are currently being developed in order to ensure customers are signposted to the Credit Union where appropriate rather than going to payday loan companies.

6.0 CONCLUSIONS

6.1 The Council has to review the operation and content of its Council Tax Support scheme on an annual basis.

6.2 Given that the current performance of the existing scheme is in line with original projections, and in light of estimates claimant numbers, it is recommended that the existing scheme is retained with no alteration for the financial year 2014/15.

6.3 The performance of the scheme continues to be closely monitored and will be reviewed and amended as appropriate on an annual basis.

COUNCILLOR JOHN SMITH
DEPUTY LEADER/CABINET MEMBER FOR FINANCE AND CORPORATE AFFAIRS

List of Background Papers:-

None

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