

Meeting: Executive
Date: 21 August 2012
Subject: Draft Council Tax Support Scheme
Report of: Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources

Summary: The purpose of the report is to provide Executive with an overview of the Government's proposals to localise Council Tax Benefit (CTB), through the introduction of the Local Council Tax Support Scheme from 1 April 2013.

The report also sets out the key principles of the Central Bedfordshire local scheme which will be consulted upon.

Advising Officer: Charles Warboys, Chief Financial Officer
Contact Officer: Gary Muskett, Head of Revenues & Benefits
Public/Exempt: Public
Wards Affected: All
Function of: Executive
Key Decision: Yes
Reason for urgency/
exemption from call-in
(if appropriate): N/A

CORPORATE IMPLICATIONS

Council Priorities:

By protecting vulnerable and elderly people as well as providing incentives to work, the proposed Council Tax Support (CTS) scheme should be designed to support the Council's Medium Term Plan priorities of :

- Promoting health and wellbeing and protecting the vulnerable.
- Improved educational attainment.

Financial:

1. Provisional Government funding to local authorities for Council Tax Support (CTS) schemes is based on 10% of the forecast Council Tax Benefit (CTB) expenditure for 2012/13. There are indications this is a low estimate and the real figure could be as high as 14%. The funding will be an up-front allocation for all billing and major precepting authorities, and will not be ring-fenced. The Council will not receive confirmation of the grant receivable until late November or early December 2012, as part of the 2013/14 Formula Grant consultation.

2. The gross CTB expenditure within Central Bedfordshire is presently £16.8m and the Department for Communities and Local Government (DCLG) proposed funding will leave a shortfall of about £2.5m for the Council to deliver a CTS scheme.
3. The proposed reduction in funding represents a significant financial risk, as it will not include any provision to manage increased take up which is likely to happen due to the number of new properties being built within Central Bedfordshire during the short and medium term. The current CTB is the most under-claimed of all benefits, which again indicates that there is considerable scope for an increase in take up under the new CTS scheme.
4. There will be an increase in the administration costs to the Council for administering the new scheme and it is not clear whether this will be fully funded by DCLG. The Council has received an initial grant for implementation costs but details of the administration grant have not been provided.
5. The Council will have to design a new Council Tax Support scheme that achieves a balance between delivering the expenditure reductions required and managing any adverse financial consequences on other Council budgets, for example homelessness and, not least, the effect on Council Tax collection rates and the estimated increased cost of collection. The Council also needs to be mindful of the impact of its scheme on local residents.

Legal:

6. The current Council Tax Benefit system will be abolished on 31 March 2013 under Section 33 of the Welfare Reform Act 2012, which received Royal Assent on 8 March 2012.
Another bill currently progressing through Parliament is the Local Government Finance (the Bill) and this contains proposals for the replacement of CTB with local "Council Tax Support schemes" designed by individual local authorities. The Bill prescribes certain steps in the design of the local scheme, such as consultation and publication, and enables the Secretary of State to introduce both Regulations and Guidance relating to the local schemes.
The Government has stated its intent that vulnerable people and pensioners will be protected and will not lose or gain relative to the current CTB scheme.
7. The Government are requiring local authorities to have a CTS scheme adopted by 31 January 2013 and be implemented from 1 April 2013. Any authorities that have not adopted a scheme in these timescales will have a default scheme imposed by DCLG.

Risk Management:

8. The transfer from Council Tax Benefit to localised Council Tax Support means the impact of increased demand and cost will be a risk for all major preceptors.
9. The Council and its precepting partners will need to monitor closely local social and economic changes and ensure there is a contingency for possible future shortfalls in funding. This may mean that the scheme designed needs to allow for these risks by providing for savings in excess of the currently known reduction in funding.

Staffing (including Trades Unions):

10. In the short term, the introduction of a local CTS scheme is likely to lead to a significant increase in the number of customers who contact the Council. These contacts will need to be managed by the Revenues and Benefits teams and Customer Services.

Equalities/Human Rights:

11. Public authorities have a statutory duty to advance equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The impact of the new localised scheme will need careful consideration throughout the design and implementation of the new scheme.
12. A thorough consultation and engagement process is planned to support this. A full Equalities Impact Assessment is being prepared to identify the potential impact on different groups and to support the decision on the proposed scheme. This will be refined following feedback from the formal consultation process and be used to inform the decision on the final scheme.

Public Health:

13. Not Applicable.

Community Safety:

14. Not Applicable.

Sustainability:

15. Not Applicable.

Procurement:

16. Not Applicable.

Overview and Scrutiny:

17. The Corporate Resources Overview and Scrutiny Committee will consider this matter on 11 September 2012.

RECOMMENDATIONS:**The Executive is asked to:**

1. **endorse the draft Central Bedfordshire Council Tax Support scheme for the purposes of consultation. The draft Council Tax Support Scheme is set out in Appendix D;**
2. **approve the communications and consultation plan as set out in paragraphs 33 to 36; and**

3. note that the draft scheme is required to undergo consultation with the Fire and Police authorities before wider consultation with the community.

Reason for Recommendations: So that major preceptors and the wider community can be consulted on the draft Council Tax Support scheme.

Executive Summary

18. In November 2010 the Government announced a major overhaul of the current benefits system (the Welfare Reform Bill). Part of this reform included the abolition of Council Tax Benefit (CTB). This will be replaced by local Council Tax Support (CTS) schemes administered by individual billing authorities.
19. The CTS reforms require local authorities to design their own schemes to deliver Council Tax Support. The schemes will be implemented from April 2013 but must be agreed by Full Council by 31 January 2013.
20. As part of the 2010 Spending Review, the Government also announced that from April 2013 it will reduce expenditure on CTB by 10% and this will be provided to local authorities through DCLG grant funding. However, the real figure is likely to be higher because the Government has based its calculations on a notional future measure of expenditure.
21. Under the current national CTB system there is no “cap” on CTB expenditure with the Department for Works and Pensions (DWP) fully reimbursing billing authorities for spending on CTB. Under the new arrangements, DCLG will instead provide local authorities with an unringfenced specific grant that authorities can then use as they see fit to meet the CTS liabilities that their own schemes commit them to.

Background

22. A key requirement of the Coalition Governments budget deficit plans is to replace the nationally funded Council Tax Benefit scheme by schemes operated by local billing authorities. These changes are being introduced in very short timescales with further budget reductions which will make for an extremely challenging couple of years for the Council and its residents.
23. On 17 February 2011, the Government published its Welfare Reform Bill, setting out some of the most significant proposed changes to the welfare system in decades. The Bill aims to replace six working age benefits including Housing Benefit (HB), with the new ‘Universal Credit’ (UC). The Spending Review 2010 assumed that welfare reform changes would generate £11bn savings nationally in addition to those expected from the changes proposed to CTB. In the March 2012 budget the Chancellor announced a further £10bn savings would be required from the welfare budget, though there are no details at present as to how these will be realised.
A key change in the Bill is the Government’s proposal to abolish the national Council Tax Benefit system and replace it with a Local Council Tax Support scheme from 1 April 2013.

24. On 2 August 2011, the Communities and Local Government (CLG) consultation paper 'Localising Support for Council Tax in England' was published, setting out the Government's policy objectives with regards to these changes. It provided some guidance and detail of the framework, funding and design for local schemes.
25. On 19 December 2011, the Government published its Local Government Finance Bill. At the same time, the Government also published responses to views expressed during the consultations on proposals for Localising Support for Council Tax.
26. In May 2012 CLG published a consultation paper on funding arrangements for Localising Support for Council tax arising from reduced taxes as a result of the reduced tax base. The proposed funding distribution to local precepting authorities provides for direct grants to Fire and Police Authorities and grant funding to local authorities and other preceptors via the retained Business rates system.
27. In May 2012 CLG also published a Statement of Intent covering the requirements for preparing a scheme (including consultation), transitional arrangements, prescribed requirements, Council Tax base and risk sharing of financial pressure.

Current Position in relation to Council Tax Benefit

28. CTB is a means tested benefit that is administered by local authorities on behalf of the Department for Work and Pensions (DWP). Claimants in receipt of means tested out-of-work benefits generally receive full assistance; eligible claimants who work or have other income are likely to get partial relief; around 60% of all pensioners are entitled to CTB, although not all who are entitled actually claim. Some key headline statistics are set out below:
 - Current expenditure nationally equates to approximately £4.8 billion.
 - Over 5.8 million people claim CTB, more than any other means tested benefit.
 - Central Bedfordshire has about 17,000 claimants, with estimated net CTB in 2012/13 expected to be circa £16.8m.
 - 48% of claimants in Central Bedfordshire are pensioners.
 - Many people, who are currently entitled to claim CTB, do not actually claim the benefit they are entitled to. DWP research in 2009/10 showed that as many as 3 million people who would be entitled to CTB do not claim for whatever reason. Applying these national statistics proportionately to Central Bedfordshire would produce a significant increase in caseload and therefore cost if these customers were to subsequently claim.
29. The DWP covers the cost of Council Tax benefit by giving the local authority subsidy based on the overall amount awarded.

30. Current arrangements are such that eligibility for Housing and Council Tax benefit are determined at the same time and on the same application forms and are generally subject to the same calculation criteria in respect of income, capital and earnings. Eligibility for those of working age and also those of pension age is determined through a single application process.

The New Framework for Council Tax Support Scheme

31. Financial support for low income Council Tax households will become fully integrated into the Council Tax system, with support being offered as reductions in Council Tax bills rather than a benefit awarded against full Council Tax liability. This means that local decisions about which vulnerable groups should qualify for Council Tax support, including the reduction on income grounds, will need to be taken as part of the Council Tax-setting process.
32. Any new Local Scheme will need to :
- detail the Council Tax reduction available / to be awarded locally;
 - include categories of claimant entitled to a Council Tax reduction and the Council Tax reductions which are to apply to those categories. The Secretary of State will be given powers to specify categories of persons and the reduction they will be entitled to, but the Government intend to only use this power to prescribe support to be provided to pensioners;
 - set out procedures for applicants to follow in making applications; and
 - set out procedures for appealing decisions (it is intended that the Valuation Tribunal is the independent appeal body).

Communication and Consultation Planning

33. Effective community engagement in the development of the new Council Tax Support scheme will support Member decision making. The Council is required to consult major precepting authorities, residents and other stakeholders on the draft Council Tax Support scheme and has developed a plan for consultation.
34. The initial phase of consultation, in advance of the publication of the draft scheme, has been with Officers of Bedfordshire Police and the Bedfordshire Fire and Rescue Service.
35. Following approval of the draft Council Tax Support scheme in August the proposals will be extensively promoted to the local community. The consultation will be available online and in Libraries and Council Offices and it will be open for 12 weeks. The Council will also engage with specific vulnerable groups and existing claimants. We will also seek the views of key partners such as Town and Parish Councils, voluntary sector, representatives of the Equality Forum, Housing Associations as well as the Council's Overview and Scrutiny Committee.
36. The feedback from the consultation will enable the views of different audiences to feed into the development of the final Council Tax Support scheme to be presented to the Executive and Full Council in January 2013.

The Implications of our proposed local scheme

37. Council Tax Benefit currently received by pensioners must not be reduced as a result of the introduction of the new Council Tax support scheme. The Government wants to ensure that low income pensioners, who would struggle to pay Council Tax without additional support, and who the Government does not expect to work to increase their income, will continue to receive the same level of support against their Council Tax bills.

Pensioners within Central Bedfordshire currently receiving Council Tax Benefit will receive the same level of support via our localised Council Tax Support Scheme. Pensioners currently make up 48% of our Council Tax Benefit caseload.

38. The Government's consultation paper highlights that Councils need to protect vulnerable groups, although the Government has not fully specified its intentions in this regard other than to say 'Local authorities already have clearly defined responsibilities in relation to, and awareness of, the most vulnerable groups and individuals other than pensioners in their areas'. This includes, for example, through their responsibilities under:

- The Child Poverty Act 2010.
- The Disabled Persons (Services, Consultation and Representation) Act 1986, and Chronically Sick and Disabled Persons Act 1970.
- The Housing Act 1996, which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups.

The Central Bedfordshire Council local scheme will also take account of the requirements of the Public Sector Equality Duty and proposes to protect existing Council Tax claimants who are lone parents with children under five years of age, disabled persons receiving specific forms of disability income and claimants who are in receipt of carers allowance. Benefit entitlement for these customers will be calculated using the same method of calculation used in the current scheme.

39. The introduction of the new Council Tax Support scheme will require entitlement to support to be shown as a discount on Council Tax bills from April 2013. These discounts will need to be factored into the Tax Base calculation and will result in a lower Tax Base for Council Tax purposes. This will impact on all precepting authorities including Towns and Parishes.
40. The Government intends that the funding for local authorities (excluding local policing bodies) for local Council Tax Support schemes will be within the business rates retention scheme. This will be made clear by including the agreed funding allocations for local authorities as a visible line within baseline funding levels for the first year of the new business rates system. The funding allocated to Central Bedfordshire Council will initially be retained by the Council and through a needs based process, funds will be allocated to those Towns and Parishes most affected by changes to their Tax Base. The money will effectively follow the need.

41. A copy of the proposed Central Bedfordshire Council local Council Tax Support scheme can be found at Appendix D.

Proposed changes to Council Tax Discounts and Exemptions

42. The DCLG published the technical reforms to Council Tax for consultation on 31 October 2011. The consultation sought views on a number of proposed changes to the Council Tax system, including proposals to give billing authorities (BAs) greater discretion over the reliefs from Council Tax available in respect of second homes and empty properties. The consultation also invited views on whether BAs should have the power to levy a Council Tax premium on empty homes.
43. The DCLG has now published the Summary of Responses Report which confirms the Government's intentions to legislate for the following changes.

Second Homes

The Government has confirmed its intention to allow BAs to levy up to the level of full Council Tax on Second homes (in Central Bedfordshire, a discount of 10% is currently granted). At any one time there are in the region of 290 properties receiving this discount. If the 10% discount was removed then potential additional Council Tax revenue would be approximately **£50,000**.

Unfurnished Empty Homes

A six month exemption (Class C) has been available where a property is vacant (unoccupied and substantially unfurnished). The Government has confirmed the intention to abolish this and empower BAs to give discounts of between 0% to 100%. With approximately 9,000 properties receiving this discount during the course of a year, the additional Council Tax revenue if the discount was set at 0% is **£1.7m**.

Empty Homes Premium

The Government has confirmed that the maximum premium to be applied after a property has been empty for two years is 50% of normal Council Tax liability. This means that properties in this category would pay 150% of the full Council Tax. Early estimates indicate that approximately 240 properties would attract the premium creating additional Council Tax revenue of **£240,000**.

Uninhabitable Empty Homes

The Government has confirmed its intention to abolish the current Class A exemption that applies to properties undergoing substantial repairs or adaptations. Currently this can be granted as long as qualifying circumstances prevail for up to a maximum period of 12 months. The proposal is to replace this with a discount (discretionary between 0% and 100%) and the maximum period this can be applied for remains as 12 months. There are approximately 170 properties in this category and potential Council Tax revenue if a 0% discount was applied is **£120,000**.

Repossessions

Repossessed properties are currently exempt from Council Tax liability. The Government is proposing that mortgagees who are in possession of an empty dwelling should be liable for the Council Tax charge. If this exemption class is abolished Council Tax will be payable by mortgagees. At any one time there are approximately 150 properties in this category and additional Council Tax revenue if this exemption is abolished would be **£50,000**.

44. It is estimated that these changes would result in additional revenue totalling £2.1m per annum with Central Bedfordshire Council's share of this being approximately £1.7m with the difference being shared between the other preceptors.
45. The estimate of additional revenue will need to be revised down to take account of non collection and avoidance by residents and landlords who have previously not had to pay Council Tax on empty properties. This could reduce the Central Bedfordshire Council share of the additional revenue to approximately £1.6m.
46. Whilst all indications are that Government will legislate for these changes to Council Tax Discounts and Exemptions, it must be noted that the estimated additional Council Tax revenue is dependent on the legislation being passed. The Council will therefore consider separately the policy to be adopted on the level of discounts to be awarded once the Governments' intentions are captured within regulations.
47. If the Government does legislate for the changes to Discounts and Exemptions and the Council decides to take advantage of the new discretions, there will be a positive impact on the Tax base.

Conclusion and Next Steps

48. As well as having to create a local scheme that is suitable for Central Bedfordshire, the Council will also have to work within a budget that has been reduced by at least 10%. Early estimates suggest this represents at least £2.5m, but this gap will increase if the number of people claiming benefit goes up, which already appears to be the trend.
49. Subject to the Executive agreeing the draft scheme, a consultation process will commence as set out in paragraphs 33 to 36 above.

Appendices:

- Appendix A – General information about the Central Bedfordshire Council CTS scheme
- Appendix B – Key principles of the Central Bedfordshire Council CTS scheme
- Appendix C – Premiums & Allowances used in the Central Bedfordshire Council CTS
- Appendix D – Draft Central Bedfordshire Council CTS scheme
- Appendix E – Proposed changes to Council Tax Discounts and Exemptions

Background Papers: (open to public inspection)

1. Welfare Reform Bill (February 2011)
2. Localising Support for Council Tax in England (Government Consultation paper: August 2011)
3. Localising Support for Council Tax in England Government's response to the outcome of consultation (December 2011)
4. Localised support for Council Tax – An update on the reform proposals (CMT Report April 2011)