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**Meeting:** Corporate Resources Overview and Scrutiny Committee  
**Date:** 11 September 2012  
**Subject:** Draft Council Tax Support Scheme  
**Report of:** Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources  
**Summary:** The report summarises the Councils draft Council Tax Support scheme and the communications and consultation plan for the draft scheme

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Advising Officer: Charles Warboys, Chief Financial Officer  
Contact Officer: Gary Muskett, Head of Revenues & Benefits  
Public/Exempt: Public  
Wards Affected: All  
Function of:

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

1. 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:**

2. 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.
3. 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.
4. 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.

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. None

**Community Safety:**

14. None.

**Sustainability:**

15. None

**Procurement:**

16. None

**RECOMMENDATION(S):**

**The Committee is asked to: - Review and comment on the Councils draft Council Tax Support scheme and communications and consultation plan as set out in the appendices and Executive report of 21 August.**

17. 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.
18. 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.
19. 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.
20. 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.

## **Central Bedfordshire Council local CTS scheme proposals**

21. The Government has stated that pensioner claimants shall be protected from the effects of any changes by a national framework that addresses eligibility and amounts.
22. In relation to claimants of working age, consideration has been given by Central Bedfordshire Council to continuing the existing national Council Tax Benefit framework within a new local scheme (i.e. making no changes) and the funding implications that would apply to this, which would require the Council to find savings elsewhere in order to fund the CTS scheme.
23. Consideration has also been given to reducing any potential funding shortfall that would arise from the changes by reviewing the Council Tax discounts and exemptions that are currently applied to vacant properties within the district including long term empty homes and second homes. However, this alone would not fully achieve the levels of financial savings needed to meet the funding reduction.
24. The Central Bedfordshire Council draft scheme has been based on 4 key principles:
  1. Affordability
  2. A fair contribution, those who can pay, should pay
  3. The scheme should incentivise work
  4. The most vulnerable claimants should be protected (from the minimum contribution)

Details of these 4 key principles can be found in appendix B to this report.

### **Key Risks with the draft CTS scheme**

#### **Legal Challenge**

25. The risk of legal challenge for the new local Council Tax Support scheme is high if the Council fails to do a thorough job of examining the consequences for its communities of the proposed scheme. This will require a full equality impact assessment informed by the consultation responses and other information known to the Council.
26. Due to the composition in current claimant categories i.e. a high number of pensioner claimants which must be protected under the new scheme, working age claimants are likely to be most affected. This category of claimants is already experiencing reductions in income as a result of other Welfare Reform changes.
27. There is a risk of challenge on any proposed local Council Tax Support scheme by pressure groups and charities representing various claimant categories.

## **Risks of the cost of the adopted scheme not matching the modelled cost**

28. There are a number of factors and variables which impact on the cost of the scheme such as demand growth, Council Tax collection rates, income from empty property charges and administration costs. As a result the Council will face difficulties in predicting the exact cost of the scheme. The scheme has to be set a year at a time and it is not possible to change the scheme mid year. It will be important to monitor the cost of the scheme and regularly review it to minimise the risk that it unexpectedly impacts on the Councils budget.

### **Collection risks**

29. It inevitable that, whichever option is chosen, there will be some people who have never had to pay any Council Tax in the past will now have to make a contribution of some kind. These people are those who would be considered, under the current rules, unable to afford Council Tax. It is likely that it will be more difficult to Collect Tax from these individuals and this may result in a fall in the overall level of tax collection. This has to some extent been accounted for within the modelling, but the actual impact is unknown.

### **Implementation risks**

30. The scheme has to be implemented in the timescales available despite late guidance being issued by DCLG and the legal framework not being in place. Not implementing a local scheme means the default scheme being used in Central Bedfordshire. This is likely to be based on the current scheme which would leave the Council with having to find an estimated £2.5m.

### **IT risks**

31. Civica, the Council's current software supplier has committed to releasing a module for Council Tax Support in December 2012. It is understood that this will enable our draft scheme to be adopted. The new module will need to be configured with the Council's current scheme as well as implementing, testing and staff training. The costs of this are not yet known.

### **Risk of failing to implement the local scheme**

32. If the Council fails to implement a scheme by 31 January then the default scheme will apply for 2013/14. This scheme is in effect a continuation of the current Council Tax Benefit scheme. Since the Council does not have funding from the government to pay for this, the Council would incur an additional cost of approximately £2.5m

**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

Appendix F – Executive report dated 21 August 2012

Appendix G – Communication and Consultation Plan

**Background papers and their location: (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)