

**Meeting:** Executive  
**Date:** 10 December 2013  
**Subject:** Council Tax Support Scheme  
**Report of:** Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources

**Summary:** The purpose of the report is for Executive to review the Council's Local Council Tax Support Scheme and address the requirement to recommend to Council the approach to Local Council Tax Support for 2014/15. The report also provides an update on policy developments relating to the Government's welfare reforms and the impact on Central Bedfordshire residents.

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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:** Council  
**Key Decision** No. A final decision must be taken by Council.  
**Reason for urgency/  
exemption from call-in  
(if appropriate)** If the Council does not make a Council Tax Support scheme by 31 January 2014, a default scheme will be imposed on the Council which will be effective from April 2014.

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

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

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

### **Financial:**

1. Government funding to local authorities for Council Tax Support (CTS) schemes in 2013/14 was based on Government estimates of demand and has proved very significantly short of the actual costs of the discounts currently being provided. The gross Council Tax Support discount awarded within Central Bedfordshire in 2013/14 is presently £14.8m.
2. The reduction in funding represents a significant financial risk, especially as it does 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.

3. There have been consequential costs arising from the implementation of the local CTS scheme. These include an impact on cash flow arising from delays in collecting Council Tax and increased levels of Council Tax non collection with an associated increase in the bad debt provision. There are also increased costs of Council Tax collection due to increased volumes of notices impacting upon paper, enveloping, postage and printing costs. The full costs will not be known until we have administered the scheme for 12 months.

**Legal:**

4. The Local Government Finance Bill 2012 states that for each financial year, Councils must consider whether to revise their Council Tax Support scheme or replace it with another scheme and that such decisions need to be made by 31 January in the financial year preceding that for which the revision or replacement scheme is to take effect. If the Council does not make a Council Tax Support scheme by 31 January 2014, a default scheme will be imposed on the Council which will be effective from April 2014.

**Risk Management:**

5. 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.
6. 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):**

7. The introduction of a local CTS scheme has led to a significant increase in the number of customers who have contacted the Council. These contacts have mainly been to the Revenues and Benefits teams and Customer Services.

**Equalities/Human Rights:**

8. 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.
9. A full equality assessment was conducted as part of the approval process for the 2013/14 Council Tax Support Scheme to ensure that due regard was given to the impact of the scheme on the Council's residents, particularly those who are vulnerable and hard to reach.

**Public Health:**

10. Not applicable.

**Community Safety:**

11. Not applicable.

**Sustainability:**

12. Not applicable.

**Procurement:**

13. Not applicable.

**Overview and Scrutiny:**

14. This report is due to be considered by the Corporate Resources Overview and Scrutiny Committee on 17 December 2013. Any comments or recommendations arising from this meeting will be presented before Council makes its final decision on 30 January 2014.

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

- 1. confirm the review of the Local Council Tax Support Scheme and recommend to Council that the current scheme be extended for a further year (2014/15) with a full review during 2014/15 to inform the approach from April 2015;**
- 2. to note the contents of this report and further developments in Government changes to welfare reform; and**
- 3. to note the latest analysis of the impact on Central Bedfordshire residents.**

*Reason for Recommendations: So that Full Council can endorse the Central Bedfordshire Council local Council Tax Support scheme. If the scheme is not approved by 31 January 2014, the Council will have to award local Council Tax Support in accordance with the Government's default scheme which will result in the cost of the scheme exceeding that of the local Council Tax Support scheme.*

**Executive Summary**

15. In January 2013, the Council agreed a new Council Tax Support Scheme to replace the national Council Tax Benefit scheme, abolished in April 2013. An initial review of the scheme has been carried out; however, in terms of learning from other Councils and our own experiences, there is a further need to develop meaningful data over a longer period of time, the current scheme having only been in place for 8 months and not covering a winter period.

16. The Council could continue with its current scheme for a further year. This will allow a more comprehensive review to be undertaken during 2014/15 when more comparative data will be available, before recommending options to Executive on what the Council may wish to do from April 2015. Further consultation can also be carried out during the summer/autumn of 2014.
17. The CTS reforms require local authorities to design their own schemes to deliver Council Tax Support or adopt a less financially advantageous default scheme. The Central Bedfordshire scheme was implemented from April 2013 but for each financial year Council must consider whether to revise its scheme or replace it with another scheme no later than 31 January in the financial year preceding that which the revision or replacement is to have effect.

## **Background**

18. The Welfare Reform Act 2012 sets out the broader rules and aims of the government's welfare reforms. These changes are and will continue to be the biggest changes to the social security system for many years. The Act not only makes provision for Universal Credit and Personal Independence Payments, it also abolishes many of the existing means tested, working age benefits. This includes Housing Benefit and Council Tax Benefit, both of which are administered by the Council.
19. The main aims of the Act are to:
  - simplify welfare benefits
  - ensure that 'work always pays'
  - reduce fraud and error.
20. The main elements of the Act are:
  - the introduction of Universal Credit to provide a single streamlined benefit intended to ensure that work always pays;
  - a stronger approach to reducing fraud and error with tougher penalties for the most serious offences;
  - a new 'claimant commitment' showing clearly what is expected of claimants;
  - reforms to Disability Living Allowance, through the introduction of the Personal Independence Payment;
  - changes to Housing Benefit intended to bring stability to the market and improve incentives to work;
  - devolving elements of the Social Fund to local authorities; and
  - reforming Employment & Support Allowance.

21. Since then, the Government has made a number of further policy announcements, which are outlined in more detail below.
22. In addition, more information is beginning to emerge on the impact of welfare changes on Central Bedfordshire residents and the performance of the CTS scheme, which the Council has put in place to support individuals to adapt to the changes. Some of the impacts are detailed later in this document.

### **Review of Local Council Tax Support Scheme**

23. The Government abolished the national Council Tax Benefits System on 31 March 2013, replacing it with a requirement for local authorities to work with their precepting bodies to establish a Local Council Tax Support Scheme with effect from 1 April 2013. The new schemes provide a 'discount' against the Council Tax charge, rather than a benefit entitlement.
24. The Government's Council Tax Support Scheme Grant replaced Council Tax Benefit subsidy and from April 2013 is now payable directly to the Council and the major precepting bodies (Police and Fire). The funding made available to support the Local Council Tax Support Schemes in 2013/14 (set at 90% of the previous funding available under the Council Tax Benefit System) now forms part of the Council's formula funding arrangements. Whilst separate figures were published for this in 2013/14, from 2014/15 there is not yet any visibility over what level of funding is actually to be contained within the formula for Council Tax Support.
25. In the absence of any confirmed figures as yet for 2014/15, and based on information to date, it is reasonable to assume that the Government has applied at least pro-rata reductions in the Council Tax Support Grant element in line with overall reductions in the formula funding, as published in the Spending Round on 26 June 2013.
26. By so doing, it also transferred the risk of any growth in the cost of the system, through more Council Taxpayers becoming eligible for Council Tax Support, to local authorities. Councils now have discretion within some constraints, to design their own Local Council Tax Support Schemes. Pensioners, who account for around 48 per cent of the caseload in Central Bedfordshire, have to be protected by law, with any reductions only being able to be applied to working age claimants.
27. Central Bedfordshire Council agreed to adopt a Local Council Tax Support Scheme for 2013/14, which almost mirrored the previous entitlement under the previous Council Tax Benefit System for all claimants except for:
  - The removal of the second adult rebate.
  - The rate of allowances and premiums were frozen at 2012/13 levels.

## **Current Position**

28. At this stage, there is a scarcity of meaningful intelligence available from authorities that have introduced Local Council Tax Support Schemes that reduced entitlement to their working age claimants, in terms of impacts on individuals and debt recovery performance. What feedback there is from other authorities indicates that the recovery rates, although below the recovery rate for non CTS claimants, appear to be broadly in line with their expectations. At the end of September Central Bedfordshire's Council Tax collection rate was 0.62% behind the collection rate for September 2012. This is typical of other councils, where data is known. The full range of welfare reforms (including the Benefit Cap where we have around 50 households affected) have yet to fully work through the system so any assumptions made now should be made with a degree of caution. The in year collection rate is also impacted significantly by more residents choosing to pay over 12 months rather than 10, thus pushing more collection into the final quarter of the financial year.
29. The Council's financial forecast of the impact of capping entitlement to Council Tax Support in 2013/14 to 75% and on collection rates indicates that the planning assumptions in setting the 2013/14 budget were prudent and remain valid.
30. For the reasons outlined above, it is recommended that the current scheme should be extended from April 2014 for a further year. This will allow a more detailed understanding of the impacts of the changes to benefits both within Central Bedfordshire and across the region to be developed which can then help inform the decision for a scheme from April 2015.
31. Details of the experience of the welfare reforms on Central Bedfordshire residents are set out below.

## **Conclusion**

32. The Government is continuing to progress its welfare reform programme, although there is increasing evidence to suggest that some changes most notably, Universal Credit will not be implemented as quickly as initially envisaged.
33. A number of studies and assessments of the impacts of the Government welfare reform programme are now being published, and Central Bedfordshire Council will be commissioning a study on the impacts on our residents.
34. Researchers at Sheffield Hallam University identified that those local authority areas with the greatest levels of deprivation stood to be most impacted by welfare reform, losing most income as benefit payments are withdrawn or reduced, whilst having insufficient economic growth and employment opportunities to enable benefits claimants to move into work and off welfare.

35. Given the nature of the reforms and their impact on Central Bedfordshire residents, the Council continues to respond to the implementation of the Government's welfare changes, through the provision of support and advice, its new welfare assistance scheme and revised Discretionary Housing Payments policy, which is currently out for public consultation.

## **Update on Welfare Reform Policy Announcements and the Impact on Central Bedfordshire Council**

### **Universal Credit Pilots, Pathfinders and Roll-out**

36. In May 2013, the Major Projects Authority, which is part of the Cabinet Office raised doubts about whether the DWP is on track with Universal Credit, and the overall benefit cap. While this indicates concerns within some quarters of Government about potential slippage, the Department for Work Pensions (DWP) has commented that significant progress has been made in recent months and it expanded the Ashton-under Lyne pathfinder into other areas in July.
37. In July 2013, the Minister for Work and Pensions announced that from October 2013, there would be a three-stranded approach to the Universal Credit roll out. The first strand will address the changes needed within Jobcentre Plus to support the introduction of Universal Credit for example, additional training for Jobcentre Plus advisors. The second strand will involve improving digital services across Jobcentre Plus including the installation of ICT equipment, the final strand will involve the roll out of Universal Credit to six hub Jobcentres at Hammersmith, Rugby, Inverness, Harrogate, Bath and Shotton (in Wales).
38. In summary, the Government has toned down the ambitions for the national roll out of Universal Credit from October this year and is taking a more cautious and measured approach in the light of concerns about the ICT systems and experience from the pilot authorities.
39. At the time of writing, the Council is still waiting for the outcome of the consultation on the Universal Credit local support services framework, and in particular, the role of local government and how the Government proposes to fund this.

### **Benefit Cap Roll-out**

40. In February 2013, the Government confirmed that its new benefit cap would be implemented in April in four London boroughs (Bromley, Croydon, Enfield and Haringey), to test the new system prior to wider national roll-out, which was initially scheduled to take place between July and September this year.
41. In June 2013, the Government confirmed the schedule for the wider rollout, based on the number of households affected in each local authority area. From 15 July, the cap was introduced in 335 local authority areas including Central Bedfordshire. Roll-out in the remaining 40 authorities, which mainly comprise London boroughs and major urban authorities with greater numbers of households affected, commenced in mid-August.

42. In July, initial data was released on the impact of the benefit cap in the pilot areas. Between 15 April 2013 and the end of May 2013, in the four local authorities, almost 2,500 households had their housing benefit capped. The biggest impact was in the London Borough of Enfield where 48 per cent of claimants had their benefit capped. Across the four pilots, 86 per cent of households capped had between one and four children and 78 per cent of households constituted a single parent with child dependents. Some 67 per cent of households were capped by £100 or less per week.
43. Building on these findings, research by the Gingerbread charity has estimated that 46 per cent of the households affected by the benefit cap will be single parents who claim income support.
44. Currently, the only mechanism for capping benefit until Universal Credit is introduced is to reduce the amount of housing benefit paid to claimants by local authorities. There are currently 52 claimants in Central Bedfordshire subject to the cap and maximum cap applied to a claimant to date has been £175 per week. Of these 52 cases 16 are Central Bedfordshire Council tenants, 16 are Housing Association tenants and 20 are private tenants.

### **Personal Independence Payments and Disability Living Allowance**

45. In February 2013, the Government published updated statistics on the number of claimants receiving Disability Living Allowance (DLA). The total number of DLA claims in May 2012 was 3,258,440, an increase of 15,000 on the previous quarter. In ten years, the number of people claiming DLA has risen by almost 35 per cent from 2.4 million to 3.3 million people.
46. As part of its welfare reforms, the Government is replacing DLA with Personal Independence Payments (PIP) and will require all those who change from DLA to PIP to be reassessed as part of the transfer.
47. The Government expects that the level of spending will be the same under PIP, as under DLA; however, the new system will include a face-to-face assessment and regular reviews, which may lead to a change in the number of claims approved. The DWP has also recently confirmed that DLA and PIP will be included in the overall cap on welfare expenditure announced in the spending review. The Government believes that the change from DLA to PIP will better reflect today's understanding of disability, particularly for people with mental health conditions; and will help improve the targeting of money spent on disability benefits.
48. From October 2013, anyone with a DLA award coming up for renewal, young people turning 16 or DLA claimants reporting a change in their health condition or disability, will be contacted by DWP and invited to claim PIP.

## **Spare Room Subsidy**

49. In April 2013 the size related restriction in the social rented sector was introduced and this affected 1,548 households in Central Bedfordshire, including over 400 Council tenants. The overall number of households affected has reduced to 1,165 since our first assessment, after contact with tenants affected and the updating of records, with new information, including: additional people declared to be living at the house, those starting employment and those transferring. Those claimants who under occupy by one room will lose around £13, those by two rooms will lose around £25 per week in terms of housing benefit payable towards their rent. Those over pension age are unaffected by this national policy.
50. In response to mounting concerns about the impact of the size criteria on specific groups, the Government amended policy so that the criteria did not apply to foster carers (with one spare bedroom), families with disabled children and service personnel. In addition, the Minister wrote to local authorities to encourage them to prioritise households with people with disabilities for support through Discretionary Housing Payments.
51. Nationally £155 million has been made available to local authorities in Discretionary Housing Payments (DHP) in 2013/14 to provide discretionary support to Housing Benefit claimants impacted by welfare reform. For Central Bedfordshire this equates to £281,000.
52. It is also estimated nationally that DHPs would cover just £1 in every £7 of the impact of housing reforms on tenants.
53. We have committed £192,000 to date, assisting 389 households with 142 being refused assistance and we are on track to spend our full allocation by the end of the financial year and in line within its revised policy guidelines. 75% of funding has gone to households affected by the new under occupation size criteria restrictions.

## **Council Tax Collection**

54. At the end of October 2013 the Council Tax collection rate of 65.32% was 0.79% behind the October 2012 collection rate, this equates to approximately £1.1m. This downturn had been anticipated due to almost 4,000 residents who previously had no Council Tax liability to pay in 2012/13 having to now pay 25% of their Council Tax, and is broadly in line with the national trend of reduced collection rates.
55. By way of comparison, collection rates for Councils in Hertfordshire has seen six Councils out of ten with reduced collection rates varying from 0.1% to 0.7% and is very much dependant on the nature of their Council Tax Support scheme and level of reduction passed onto residents to now pay Council Tax.
56. In the first six months of 2013/14 we have issued 42,755 reminders for late payment which is a 23% increase on 2012/13 and we have issued 4,358 summonses which is a 22% increase on 2012/13 levels.

57. It is still too early in the financial year to fully understand the impact on the collection rate and the downturn in collection will be partially mitigated by the increase in the number of residents choosing to pay their Council Tax over 12 months rather than 10 (2,000+). This will result in more payments being received in the final 2 months of the year.

### **Monitoring of Impacts**

58. A monitoring and evaluation framework has been developed and a monthly report is now reviewed by a Welfare Reform Project Board, chaired by the Director for Social Care, Health and Housing, and also by the Executive Member for Social Care, Health and Housing and the Deputy Leader and Executive Member Corporate Resources so that we are better able to track the impact of the changes on our residents and the Council.
59. Whilst the Council is undertaking extensive tracking of how residents are responding to the welfare reform changes, in many instances it is still too early to fully understand the impacts. In particular, it can be anticipated that the winter period will have a significant impact on the level of additional claims for Local Welfare Provision (Crisis Loans) and DHP. However, it is already apparent that as the proposals start to bed in, a greater number of individuals will start to experience problems, and that there will be increased demand on Council support services.

**Appendices:** None

**Background Papers:** (open to public inspection)

None.