

NOTICE OF DELEGATION OF DECISION TO CABINET MEMBER BY STRONG LEADER

Section 15(4) of the Local Government Act 2000, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1st December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

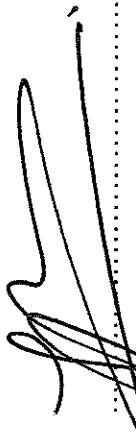
I, J-P Campion, as Strong Leader, delegate the decision to agree the consultation papers on the options for the Council Tax Discount Scheme to the Cabinet Member detailed below:

Cabinet Member for Resources and Transformation - Cllr Nathan Desmond

Dated:

16th July 2010.

Signed:


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Leader of the Council

Leader of the Council

NOTICE OF DECISION OF CABINET MEMBER

Pursuant Section 15(4) of the Local Government Act 2000, as amended by section 63 of the Local Government and Public Involvement in Health Act 2007, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1st December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

In accordance with the authority delegated to me by the Leader, I have made the following decision:

Subject	Decision	Reason for decision	Date for Decision to be taken
Council Tax Discount Scheme Consultation.	That the options for the Council Tax Discount Scheme can be released for consultation.	Council Tax benefit is to be abolished and will be replaced with a local scheme – the Council Tax Discount Scheme. The Council must devise its own scheme and have this agreed by 31 st January 2013. As part of the development process we must consult with our residents and stakeholders on the proposals. To comply with this the Council is undertaking a consultation exercise between July and October 2012. The results will help to shape the final scheme.	19 th July 2012.

I confirm that the appropriate statutory officer consultation has taken place with regard to this decision.

Dated:

Signed:



Cabinet Member for Resources and Transformation; Cllr Nathan Desmond

To: Cabinet Member for Resources and Transformation, Councillor N J Desmond

From: Joanne Wagstaffe
Director of Resources

23rd July 2012

Local Council Tax Discount Scheme – Proposals for Consultation

1 PURPOSE OF REPORT

- 1.1 This report sets out the proposed principles for the consultation on the Council Tax Discount scheme which the Council will have to introduce following the Government's decision to replace the national Council Tax Benefit (CTB) scheme with a localised Council Tax Discount scheme.
- 1.2 The report sets out proposed options for the scheme which will form the basis of consultation with our residents and stakeholders. The consultation will help us to refine the details of our scheme prior to a final decision on the scheme being made later in the year. In order for the Council to devise a Council Tax Discount Scheme views from residents and stakeholders need to be obtained to help frame the final scheme.
- 1.3 The final scheme will be recommended by Cabinet, taken through Overview and Scrutiny Committee in November and then on to Full Council to establish the scheme. This means there will be sufficient time for consideration and debate by councillors prior to any decisions being taken; this report merely sets out the principles for consultation options.
- 1.4 Running alongside the Council Tax Discount scheme there is also a number of changes to Council Tax exemptions which are being considered.

2 RECOMMENDATION

The Cabinet Member for Resources and Transformation is asked to:

- 2.1 Approve the options for consultation, including the Council Tax exemptions and the creation of a Hardship Fund.**
- 2.2 Agree the timetable for implementation of the Local Council Tax Discount scheme with a report being brought to Cabinet in October 2012 which will recommend a final scheme to be considered by Overview and Scrutiny Committee.**

3 BACKGROUND

- 3.1 The Government has decided to localise support for CTB from 2013/14 and this is being put into effect by the Local Government Finance Bill, currently before Parliament. The main effect of this is to reimburse councils only 90% of the current costs of granting CTB. This 10% reduction in grant funding for the Wyre Forest district with a current CTB cost of £8.5M equates to a shortfall of £850,000 per annum. If the Council took no action, the amount of the shortfall which must be financed by Wyre Forest would be approximately £110,000.
- 3.2 The 90% of current grant will continue to be funded by Government at a set amount. Any increase / decrease in the level of Council Tax Discount due to demographic pressures will then fall to the local government family to finance.

- 3.3 The Government has decided that pensioners must remain protected from any reductions compared to the current Council Tax Benefit scheme and we may also have to consider protection of other vulnerable groups.
- 3.4 At the same time some of the current mandatory exemptions that are offered on Council Tax will cease. It will then be a local decision if these exemptions will continue and at what level.

4 KEY ISSUES

Cost Implications

- 4.1 The estimated cost of the reduction in CTB grant will fall upon local authorities using the usual collection fund percentages as per the table below.

Authority	%	£000
Worcestershire County Council	70	596
West Mercia Police	12	102
H&W Fire Authority	5	42
WFDC	13	110
Total	100	850

- 4.2 The Council has a choice whether to accept these costs and maintain the current scheme, or devise a new scheme. The costs of a local scheme may be partially offset by some changes to Council Tax exemptions. The remaining costs can then either be found by the Council at the expense of other services or by increasing council tax, or be passed on to the claimants, or any combination of these options.
- 4.3 The demographics of Wyre Forest in terms of the rising number of pensioners who must be protected from reductions (52% of benefit claimants are currently pensioners, with a 1% rise per annum predicted for future years) and unemployment trends mean that the status quo would not be sustainable in terms of costs in future years, as costs would increase under the current scheme.
- 4.4 The Government stipulation that any changes to the CTB scheme will have to protect pensioners means Councils face considering reducing support to working age claimants well in excess of 10% if they are not going to face funding shortfalls.
- 4.5 In order to avoid disproportionate impacts on those who are least able to pay a proportion of their Council Tax bill a Hardship Fund is proposed to be established.

Council Tax Changes

- 4.6 The Government has also made some changes to the Council Tax Regulations. Whilst these do not form part of the Council Tax Discount Scheme it is proposed that any savings generated through these exemptions could be used to offset the reduction in funding for Council tax discounts. The exemptions where the council now has flexibility to introduce new arrangements are:
- **Class A Exemption** – these apply to long term uninhabitable empty properties, which are unfurnished and in the course of renovation e.g. due to refurbishment, flooding. The current exemption is 12 months.
 - **Class C Exemption**– these apply to short term unfurnished empty properties. The current exemption is 6 months.

- **Class L Exemption** – these apply to properties repossessed by a mortgage lender such as banks. The current exemption applies until the house is sold or let.
- **Second Homes Discount.** There currently has to be a discount of at least 10% of the total bill, which is the approach in Wyre Forest. Councils will have flexibility to remove the discount altogether.
- **Long Term Empty Properties** - After the six month free period these currently attract a 100% ongoing charge. No extra charge is currently levied as an incentive to bring these dwellings back into use but councils will be given the power to charge more than 100%

4.7 Where the council is considering to reinstate or change these discounts the proposals have also been included in the consultation.

5 Proposed principles of the scheme

5.1 The proposed options for consultation have been based on the following principles. The principles will be tested through the consultation. The feedback will be used to help determine the principles which will be used to develop the final scheme.

5.2 The principles used for the consultation are:

- Every household with working age claimants should pay something;
- The scheme should incentivise people into work;
- People with greater amounts of savings receive less support; and
- Protection will be provided through a Hardship Fund to those who are least able to pay; and
- The scheme will be in support of the Council's Corporate Plan Priorities of an increased supply of good quality and decent homes in which people can afford to live.

6 Proposed options for consultation (including proposed changes to Council Tax exemptions) on the Local Council Tax Discount Scheme

6.1 This section sets out the proposed options which will be included in the consultation with residents and stakeholders. The final proposals will go to Overview and Scrutiny Committee and Full Council in November 2012 for approval of a scheme.

6.2 The table below places the options into three categories. The first are changes which relate to Council Tax exemptions, the second relate to changes in eligibility for the scheme and the third identify some options for helping to offset the cost of the scheme to the Council.

6.3 It is proposed that five options will be considered as part of the consultation process. The proposed options for consultation can be seen in Appendix 1. The options cover a range of different changes, including changes to Council Tax exemptions, changes to eligibility and limitation of payments.

6.4 The figures included in the table for Council Tax exemptions and changes to eligibility are the current estimated maximums that may be achieved through these changes. The changes which are proposed to be included in the consultation are:

Exemption	Options for consultation	Possible Savings
Council Tax Exemptions		
Class A Exemption – these apply to long term uninhabitable empty properties, which are unfurnished and in the course of renovation e.g. due to refurbishment, flooding.	Option to change this exemption to 50% for a maximum of a 12 month period.	£45,000
Class C Exemption – these apply to short term unfurnished empty properties.	Option to reinstate exemption at 50% for a 6 months in line with business rates properties	£100,000
Class L Exemption – these apply to properties repossessed by mortgage lenders.	Option to levy a full charge payable by the bank / building society	£25,000
Second Homes Discount	Option to end discount and charge full 100%.	£29,000
Long Term Empty Properties	No change.	£0
Changes in Eligibility		
Second Adult Rebate* – this is awarded to liable Council Taxpayers who are not eligible to claim Council Tax Benefit but have a second adult living with them with either no income (other than benefits) or low income. It is currently worth up to 25%.	Option to abolish this.	£14,780
Minimum Level of benefit/support per week* This is currently set by the benefits regulations at 1p per week.	Option to set at a minimum of £5 per week.	£25,370
Capital level and Tariffs* – income above £6,000 but below £16,000 assumed in the calculation of benefit, from claimants' capital is currently subject to a £250 per unit tariff	Option to change the tariff to £200 per unit.	£73,920
Backdating - Officer discretion is currently exercised to backdate	Option to remove backdating but allow for	£0

Exemption	Options for consultation	Possible Savings
benefits (maximum of 6 months)	claims to be considered against the Hardship fund.	
Offsetting of Costs		
Limitation of support to between 80% and 95% of the Council Tax payable.	Option to limit the maximum amount of Council Tax Discount which is payable to working age claimants to a percentage of the amount of Council Tax payable, current options range from 80 to 95% of Council Tax payable.	£441,000 to £850,000
Limiting support to lower bands	Option to limit discounts to Band D level for all claimants. Therefore the maximum amount of discount payable under this scheme would be limited to that of a Band D property.	£277,150

* These figures represent the maximum amount of saving from each category. There may be double counting in these figures and the actual saving if all of these options are included may be much less.

- 6.5 The consultation will also seek views on how the council could limit entitlement where a claimant has made one or more fraudulent claims for council tax discount and on whether the scheme should require claimants to comply with other legal duties such as registering to vote. These aspects will also be considered in the consultation.

7 Financial Summary of Proposals

- 7.1 This section sets out a summary of the potential financial implications of the various options. It must be noted that the figures are draft at this stage and will be further refined once further guidance has been received. It is also possible that there is some double counting in the numbers, due to the modelling tool, but the figures will be further tested during the consultation period.
- 7.2 Early indications of the financial impact for the Council relating to the options are shown in the table below. These figures may change once further analysis and investigation is undertaken.

Option	Description	Financial impact for Collection Fund	WFDC share to support the scheme.
1.	The funding from central government, plus the additional income from the Council Tax exemption changes to be made	Nil	Nil

	available for the Council Tax Support Scheme. This would equate to limit of support for Council Tax being set at around 80%.		
2.	The funding from central government plus the additional income from the Council Tax exemption changes and the changes to eligibility for the scheme to be made available for the Council Tax Support Scheme. This would equate to limit of support for Council Tax being set at around 85%.	Nil	Nil
3.	Limitation of discounts for working age claimants to 90%. This option would also include the changes to Council Tax exemptions and changes to eligibility for the scheme.	£210,500	£27,365
4.	Limitation of discounts to 95% for working age claimants. This option would also include the changes to Council Tax exemptions and changes to eligibility for the scheme.	£409,000	£53,170
5.	Limiting discounts to maximum of Band D. This option would also include the changes to Council Tax exemptions and changes to eligibility for the scheme.	£572,850	£74,471

8 Hardship Fund

- 8.1 It is not possible to assess the impact of a local scheme for every set of individual circumstances. Therefore consideration is being given to the establishment of a Hardship Fund which will help to support those who are least able to pay an element of their Council Tax liability.
- 8.2 Each application to the Hardship Fund will be considered on a case by case basis and assessed on its own merits. This will ensure that those who are not entitled to a full discount on their Council Tax will still be able to be considered for some additional protection.
- 8.3 The full proposals for the Hardship Fund will be worked up as the proposals for the Council Tax Discount Scheme are developed. The fund should be ring fenced and be a finite amount.

9 Other Issues for consideration

- 9.1 The Council currently uses a software provider to help administer the current Council Tax Benefits Scheme. To assist with the administration of the new scheme there will

need to be some software changes. Discussions with the suppliers are ongoing to ensure that the scheme can be delivered on time.

10 Introduction of Council Tax Discount Scheme – Overview of Timeline

10.1 The legislation requires Councils to adopt a new scheme for council tax discounts by 31 January each year, from implementation on 1st April each year. As local schemes will come into force from April 2013, our scheme will need to be ready by January 2013. Given the requirement to establish the principles of the scheme, consult on the principles, design the final scheme and make any software changes this is a challenging timescale and early decisions on changes to the current scheme are essential.

10.2 Key indicative dates in the Timeline are:

- July 2012– Cabinet Member approval of Principles for consultation and draft proposals.
- Mid July 2012– Mid October – 12 weeks consultation.
- 23 October 2012 – Cabinet propose Council Tax Discount scheme following consultation for consideration by Overview and Scrutiny.
- 8 November 2012- Scrutiny Committee considers proposed scheme, alongside results of formal consultation process.
- 12 November 2012 -Cabinet receive report from Scrutiny and make final recommendations to Council.
- 21 November 2012– Council approve Local Scheme effective from 1 April 2013.

10.3 The timetable will ensure that members have the opportunity to consider and debate the proposals, following the consultation, before a final decision on the scheme is made.

11 Consultation Proposals

11.1 Before the final scheme can be approved we must consult precepting authorities and the public. As a minimum we will consult with the following organisations and groups:

- Worcestershire County Council;
- West Mercia Police Authority;
- Hereford and Worcestershire Fire and Rescue Authority;
- The public; and
- Other relevant stakeholder groups.

11.2 We will consult in a range of different ways over the consultation period. A proposed timetable is set out below:

Stakeholder	When	How
Worcestershire County Council, West Mercia Police and Hereford and Worcester Fire and Rescue Authority	June to October	Existing cross authority meetings and groups. Consultation Document Website including on line questionnaire
Public	July to October	Consultation Document Website including on line questionnaire
Other Stakeholders	August to September	Consultation Document Website including on line questionnaire Stakeholder meetings

11.3 It is proposed that the public consultation process will commence in mid July and end in mid October. This will enable residents to be able to feedback their thoughts on the proposed scheme. Consultation with other relevant stakeholder groups will also take place over the summer.

12 FINANCIAL IMPLICATIONS

12.1 The Government is changing the way in which existing Council Tax Benefits are to be paid and will be reducing the amount of funding paid to local government by 10%. This will leave a shortfall in funding which the Council needs to consider how to finance. The above proposals set out some options as to how to close this gap but other options still leave an element which will need to be funded either from increased council tax or additional service reductions.

12.2 The actual financial impact cannot currently be identified and will become clearer as the scheme is further refined and Government information is provided. The figures included in this report have been provided through a modelling tool and further interrogation of the tool can take place once a scheme has been designed, when a more detailed financial position can be achieved. The figures included in this report may change as the scheme and the existing benefit caseload changes.

12.3 The impact of the proposals on the Council Tax collection rates and the costs of collection are difficult to quantify at this stage although we expect collection rates to decline as some people who do not pay council tax will have to pay something in future. Collecting small debts from individuals can be very difficult and resource intensive to recover. However, it is not anticipated that the levels of non payment should be a major issue at this stage.

13 LEGAL AND POLICY IMPLICATIONS

13.1 The Leader decided on 16th July 2012 to delegate to you the decision to approve consultation on the options for the scheme on behalf of the Cabinet.

13.2 The powers under which the council will decide a scheme for council tax discounts are in section 13A of the Local Government Finance Act 1992 as substituted by clause 9 of the Local Government Finance Bill, which is currently before the House of Lords. Clause 9(4) requires a scheme to be adopted by 31 January 2013. Clause 10 provides a power for councils to decide the discount for second homes, while clause 11 inserts section 11B into the 1992 Act which allows councils to set a council tax of up to 150% for long term empty properties.

13.3 Schedule 4 to the Bill inserts Schedule 1A in the 1992 Act. Among other things, this requires the Council to consult major precepting authorities and such other persons as are likely to have an interest in the scheme. Paragraph 3(2) of Schedule 1A provides that the fact that the requirement was not in force when councils undertake consultation is to be disregarded in determining whether there has been compliance with the requirement. In other words, consultation while the Bill is still before Parliament will discharge the (future) legal duty to consult.

13.4 In reaching final decisions on the scheme in the autumn, the Council will have to have regard to its duties under the Equality Act 2010 although as noted below the initial view is that no equality issues arise as the proposed options apply to all potential recipients of council tax discounts. The Council will also have to have regard to any legislation issued by the Secretary of State as a consequence of the Local Government Finance Bill as it may constrain the options that are available; and consideration will need to be given to other relevant legal requirements, such as the duty to co-operate in reducing child poverty in accordance with section 21 of the Child Poverty Act 2010.

13.5 The final decisions should also seek as far as possible to be consistent with the Council's corporate priorities of securing the economic prosperity of the district; improving community well-being; and delivering together, with less.

14 RISK MANAGEMENT

14.1 Key risks include:

- Lack of guidance from central government, making it difficult to plan for new arrangements effectively
- Timescales, given the need for a 12 week consultation period
- Risk of judicial review of changes
- Resources required for implementing new arrangements; external support will be necessary in order for the Council to meet all of the timescales. However the main concern relates to the ability of the software companies to make the necessary changes to the system.

15 EQUALITY IMPACT ASSESSMENT

15.1 An Equality Impact Assessment will have to be undertaken on the scheme once the details of the scheme have been finalised following the consultation. At present, no adverse impacts have been identified under the equality strands as the options would apply to all potential recipients of discounts.

16 CONCLUSION

16.1 This report sets out the principles for options for the consultation process in response to the Government's proposals for the future funding of Council Tax Discounts.

17 CONSULTEES

17.1 Leader of the Council.

17.2 Corporate Management Team.

18 BACKGROUND PAPERS

18.1 DCLG guidance on the localisation of Council Tax Benefit, published 17th May 2012 and the 17th July 2012.

Options for consultation

Option 1 – Limitation of discount for working age claimants to the amount funded from Central Government plus the Council Tax exemptions changes

- 18.2 This option would limit the amount available for the Council Tax Discount scheme to the amount funded by Government, plus additional income from the changes to Council Tax exemptions. This would mean that the Council Tax Discount scheme would have a neutral impact on the Council's finances. This option would still protect pensioners at 100% and would equate to an approximately 20% reduction in support for claimants of working age. Therefore support would be limited to approximately 80%.

Option 2 – Limitation of discount for working age claimants to the amount funded from Central Government plus the Council Tax exemptions changes and changes to eligibility

This option would limit the amount available for the Council Tax Discount scheme to the amount funded by Government, plus additional income from the changes to Council Tax exemptions and also the changes to eligibility to the scheme. This would mean that the Council Tax Discount scheme would have a neutral impact on the Council's finances. This option would still protect pensioners at 100% and would equate to an approximately 15% reduction in support for claimants of working age. Therefore support would be limited to approximately 85%.

Option 3 – Limitation of discount to 90% for working age claimants

- 18.3 This option would protect pensioners at 100% of their current entitlement and would reduce support to working age claimants by 10%. This would result in 90% of their current entitlement being met by the scheme. This option also assumes that the options for Council Tax exemptions and changes in eligibility have been accepted.

Option 4 – Limitation of discount to 95% for working age claimants

- 18.4 This option would protect pensioners at 100% of their current entitlement and would reduce support to working age claimants by 5%. This would result in 95% of their current entitlement being met by the scheme. This option also assumes that the options for Council Tax exemptions and changes in eligibility have been accepted.

Option 5 – Limiting discount to lower bands

- 18.5 This option would protect pensioners at 100% of their current entitlement and would impact those claimants of working age. The option is to limit the maximum amount of discount offered by the scheme to the reduction that would be applied to a Band D property. All those claimants in a Band A, B, C or D property would receive a 100% discount on their Council Tax liability for the period they were eligible for the scheme. Discounts would be reduced for claimants living in Band E, F, G or H. This option also assumes that the options for Council Tax exemptions and changes in eligibility have been accepted.

