

WYRE FOREST DISTRICT COUNCIL
CABINET
12th NOVEMBER 2012

Council Tax Benefit Reform

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Director of Resources
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APPENDICES:	None

1 PURPOSE OF REPORT

- 1.1 The government is replacing the national Council Tax Benefit scheme with a localised Council Tax Discount Scheme (CTDS). The Council undertook a consultation exercise on proposals for the scheme. Following the consultation, the Cabinet on 23rd October recommended a proposed scheme and range of Council Tax exemption changes to the Overview and Scrutiny Committee.
- 1.2 The Overview and Scrutiny Committee considered the proposals at its meeting on 8th November 2012. This report outlines Cabinet's response to the Overview and Scrutiny Committee recommendations and sets out the recommended scheme for Council approval on 21st November 2012.
- 1.3 In October 2012 the Department of Communities and Local Government (CLG) announced that there would be £100m for one year available to support local authorities to develop well designed council tax support schemes and to maintain positive incentives to work.
- 1.4 This paper also sets out the impact of the proposed grant on Wyre Forest.

2 RECOMMENDATION

The Cabinet is asked to recommend to Council that:

- 2.1 **The scheme as outlined in paragraphs 4.2 to 4.5 and paragraph 5.2, which includes a cap on the reduction in support that an individual might face in 2013-14 of 8.5%, is approved.**
- 2.2 **The amount of money available for the Hardship Fund is reviewed on an annual basis.**
- 2.3 **From 2014-15 onwards support towards Council Tax liability for working age people is limited to 90%.**

3 BACKGROUND

- 3.1 The Government intends to localise support for CTB from 2013/14 and this has been put into effect by the Local Government Finance Act 2012. 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 £8.51M equates to a shortfall of £851,000 per annum. If the Council took no action, the amount of the shortfall which must be financed by Wyre Forest would be approximately £111,000. If the shortfall was to be funded from Council Tax this would equate to a 1.6% increase to the Council Tax payers.
- 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.
- 3.5 In October 2012 the CLG announced that they were making available £100m of support to authorities to help them develop well designed council tax support schemes.
- 3.6 The grant will only be paid if an authority meets certain criteria and if they apply for the grant. The grant will be applied for in January 2013 and will be paid to authorities in March 2013.
- 3.7 When WFDC completed its consultation exercise on various options for the CTDS scheme, the availability of the Transitional Grant was not known and therefore the consultation did not include any consideration of the grant.

4 KEY ISSUES

The option recommended to Overview & Scrutiny Committee

- 4.1 The cost implications for the Council relating to the recommended option were identified in the Cabinet report on the 23rd October 2012. There is a predicted reduction in funding of £111,000 per annum to the Council following the localisation of Council Tax benefit. The financial impact of the recommended option is shown below:

£k	Financial impact for Collection fund (£000)	Financial impact on WFDC (£000)
Estimated cost of Government cut to funding	851	111
LESS		
Council Tax exemption changes	273	36

Limitation of discount including limiting support to 90% for working age people	452	59
PLUS		
Hardship fund (maximum)	0	25
Total financial impact	126	41

4.2 The recommended scheme was based on the following principles:

Principle 1 Every household with working age claimants should pay something;

Principle 2 The scheme should incentivise people into work;

Principle 3 People with greater amounts of savings receive less support;

Principle 4 Protection will be provided through a Hardship Fund to those who are least able to pay; and

Principle 5 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.

4.3 The Council Tax exemption changes which are included in the recommended option are as follows:

- **Class A**, long term uninhabitable properties - change this exemption to 50% for a maximum of a 12 month period.
- **Class C**, short term unfurnished properties - reinstate exemption at 50% for 6 months in line with business rates properties.
- **Class L**, repossessed properties - levy a full charge payable by the bank / building society.
- **Second Homes Discount** – end the 10% discount and levy a 100% charge.

4.4 The recommended scheme also included the following changes to eligibility criteria for the scheme:

- **Second adult rebate** – to be abolished.
- **Minimum level of benefit/support per week** – the threshold to be increased to £5 per week.
- **Capital Levels and Tariffs** – the unit tariff to be changed to £200.
- **Backdating** – to be removed.

4.5 There would also be a hardship fund, costing WFDC up to £25,000, as set out in the Cabinet report of 23rd October.

Recommendations from Overview & Scrutiny Committee

4.6 The Overview & Scrutiny Committee considered the recommended scheme from Cabinet at its meeting on the 8th November 2012. They considered the scheme and agreed the recommended option but asked that an additional recommendation was added relating to a review of the Hardship Fund.

4.7 In response to this request it is proposed that an annual review of the level of funding available for the Hardship Fund is undertaken. In addition, during the first year, it is proposed that there is a review undertaken after the first six months.

Transitional Grant

- 4.8 In October 2012 the CLG announced that they were making available £100m of support to authorities to help them develop well designed council tax support schemes. This is a one year grant to help Councils design scheme to help limit the impact of the Welfare Reform changes on individuals.
- 4.9 The grant will only be paid if an authority meets certain criteria and if they apply for the grant. The grant will be applied for in January 2013 and will be paid to authorities in March 2013.

Criteria for Accepting the Grant

- 4.10 There are a number of criteria which we must adopt in our scheme to be able to apply for the grant. These are:
 - Those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net Council tax liability;
 - The taper rate does not increase above 25%;
 - There is no sharp reduction in support for those entering work.
- 4.11 At this point we believe that the existing proposals meet all of these requirements, except for the limiting of support to 91.5%.

Cost Implications if the Transitional Grant is Accepted

- 4.12 This section sets out a summary of the potential financial implications if the proposed grant is accepted. It must be noted that the cost figures are draft at this stage and will change as the existing caseload changes.
- 4.13 The government is offering WFDC a grant of £28,634 if it is willing to design a scheme which complies with the criteria outlined above. There will also be similar grants payable to the precepting authorities as shown Table 1 below if WFDC applies for the grant. If WFDC do not accept the grant conditions or do not apply for the grant then there will be no grant payable to the precepting authorities.

Table 1: Grants to be paid to billing and precepting organisations

Organisation	WFDC	Worcestershire County Council	West Mercia Police Authority	Hereford and Worcester Fire and Rescue Service
Grant amount	28,634	141,201	24,287	10,007

- 4.14 A comparison of costs between taking the grant and not taking the grant are shown in Table 2 below. The comparison is between the option which was recommended to the Overview and Scrutiny Committee on 8th November based on accepting the Council Tax exemption changes, the limits to eligibility of the CTDS and limiting support to 90% (Option 3).

Table 2 Comparison of costs

	Limiting support to 90%	Accepting the grant
Cost if all elements are implemented	16,451	24,290
Less, Government Grant	-	28,634
Total cost before hardship fund	16,451	(4,344)
	-	-
Hardship Fund	25,000	25,000
Total Cost to WFDC	41,451	20,656
Saving to WFDC		20,794

4.15 Through taking the grant in 2013-14 it can be seen that it is estimated that it will reduce WFDC's costs by £20,794.

4.16 If the grant is accepted for 2013-14 and the support is continued to be limited to 91.5% in future years then the financial implications are shown in Table 3 below.

Table 3: Comparison of limiting the grant to 8.5% without the grant

	Accepting the grant	Limiting support to 91.5%
Cost if all elements are implemented	24,290	24,290
Less, Government Grant	28,634	-
	-	
Total cost before hardship fund	4,344	24,290
	-	-
Hardship Fund	25,000	25,000
Total Cost to WFDC	20,656	49,290
Additional Cost		28,634

Consultation

- 4.17 The results from the consultation were presented to Cabinet on the 23rd October 2012 and recommendations on the proposed scheme were made to the Overview and Scrutiny Committee. At the time Cabinet met the impact of the grant had not been assessed and had not been included in the recommendations.
- 4.18 If the Council chooses to accept the Transitional Grant then consideration needs to be given as to whether there is a requirement to re-consult on the proposed scheme. On the basis that the grant requirements are within the original range of the proposals which were consulted on (reducing support by between 5% and 20%) it is considered that this option is covered by the original consultation and that no further consultation is necessary if the grant is accepted.

5 RECOMMENDED OPTION

- 5.1 The report to Cabinet on 23rd October outlined the rationale as to why support for working age people should be reduced and the relevant financial factors.
- 5.2 Taking account of the recommendations from the Overview & Scrutiny Committee and the availability of the Government grant scheme, it is proposed to make only one change to the approach previously supported by Cabinet (option 3), namely that the government grant is accepted. For 2013-14 this will mean that the support towards the payment of Council Tax under the CTDS will be limited to 91.5% and from 2014-15 onwards the support will be limited to 90%.
- 5.3 The impact on individuals, if option 3 plus the government grant, is approved, would be minimal. For an 'average' band D property this would be less than £3 per week which a claimant must find to cover their Council Tax bill. In Wyre Forest the majority of those currently claiming Council Tax benefit live in band A and B properties which means that they will have to find less per week to put towards their Council Tax bill.

6 INTRODUCTION OF CTDS – OVERVIEW OF TIMELINE

- 6.1 The legislation requires Councils to adopt a new scheme for council tax discounts by 31st 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.
- 6.2 Key dates in the Timeline are:
- 12 November 2012 -Cabinet receive report from Scrutiny and make final recommendations to Council.
 - 21st November 2012– Council approve Local Scheme effective from 1 April 2013.
 - 31st January 2013 – Transitional Grant application submitted after this date.
 - February – 2013/14 budget agreed.
 - March 2013 – Transitional Grant paid.

7 LEGAL AND POLICY IMPLICATIONS

- 7.1 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 section 10 of the Local Government Finance Act 2012. Section 10(4) requires a scheme to be adopted by 31st January 2013. Section 11 provides a power for councils to decide the discount for second homes, while section 12 inserts section 11B into the 1992 Act which allows councils to set a council tax of up to 150% for long term empty properties.
- 7.2 Schedule 4 to the 2012 Act 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.
- 7.3 In reaching final decisions on the scheme, the Council will have to have regard to its duties under the Equality Act 2010 although as noted below the 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 Act 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.
- 7.4 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.

8 RISK MANAGEMENT

- 8.1 Key risks include:
- The scheme must be approved before we can apply for the grant.
 - The budget may be set before we know whether we will receive the grant.
 - Risk of challenge on the scheme as it has changed following consultation.
 - Risk of judicial review of changes.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 An initial Equality Impact Assessment has been undertaken on the scheme. It will be updated once the details of the final scheme have been agreed. At present, the only adverse impact which has been identified is that there will be a differential impact on age. This is due to the Government scheme protecting pensioners and the changes to the scheme impacting on working age claimants. It is unlikely that the impact of the scheme will change, from an EIA perspective, if the government grant is accepted.

10 CONCLUSION

- 10.1 This report sets out the implications of the proposed government grant to support local authorities in implementing the CTDS. If the one year grant is accepted in 2013/14 then there will be a reduced cost to the authority of implementing the scheme of £20,794.

11 CONSULTEES

- Leader of the Council.
- Cabinet Member for Resources and Transformation.
- Corporate Management Team.
- Overview and Scrutiny Committee.

12 BACKGROUND PAPERS

- 12.1 DCLG guidance on the localisation of Council Tax Benefit, published 17th May 2012 and the 17th July 2012.
- 12.2 Council Tax Benefit is Changing – Consultation Document, Wyre Forest, published 23rd July 2012.
- 12.3 Localising support for council tax - Transitional grant scheme, published 18th October 2012.