

Wiltshire Council

Individual Cabinet member Delegated Decision

Subject: Council Tax Support and Technical Changes

Cabinet member: Councillor Jane Scott, OBE – Leader

Purpose of Report

1. This report provides options for consideration in order to bring in a local, means tested, method of calculating a reduction in council tax. This scheme will only be applied to non-pensioners, on a low or fixed income and be introduced by next April. By agreeing one of four options initiates the first in a series of defined steps the council must take to introduce a robust and lawful scheme.

Background

2. Currently almost 30,000 households in Wiltshire receive full or partial help with their council tax through the current scheme which is fully funded by Government, amounting to an estimated £27 million for the current financial year.
3. Welfare reform and efforts to reduce the cost of the welfare bill have resulted in the planned abolition of the current council tax benefit scheme with effect from April 2013. Councils are expected to introduce a locally designed scheme, specifically for working age claimants, which must realise a minimum 10% reduction in current funding levels and /or generate further income. In Wiltshire the scheme, if applied equally across major precepting authorities, would need to generate around £3.5million to avoid costs falling on other council services. The alternative is to adopt the Government's default scheme, meaning all savings would have to be met from cuts to other services rather than the claimants', whose benefit would not change.
4. Currently 48% of households who receive council tax benefit are of pensionable age and are protected from any reduction in their award. The government announced what is now known as the 'default scheme' on 17th July 2012, determining the means and criteria by which these claims should continue to be paid. This default scheme mirrors the existing scheme, and therefore the costs, as well.

5. Analysis of the remaining 52% of caseload suggests that around 6,000 householders are deemed vulnerable and are in receipt of multiple benefits which means they currently receive full council tax benefit. This means that any shortfall will have to be met by the remaining 9,000 recipients, who are either working or looking for work.
6. In order to produce a cost neutral local scheme a number of choices will have to be made which may result in some families on currently on full (pass ported) benefits paying council tax for the first time.
7. Provision will have to be made within the proposed, local council tax support scheme to accommodate and in some ways anticipate the impact the introduction of Universal Credit will have, which will replace a number of means tested benefit, from October 2013.

Main Considerations for the Council

8. The council has to publish a draft local scheme, (if it intends not to use the default scheme) for the purposes of consultation and having undertaken the consultation process must present the final version for agreement before full council and completion by 31 January 2013.
9. In order to provide options for consideration the data currently held on the council's revenues and benefits system (Northgate) has been analysed using specially designed software. Analysis has enabled us to drill down to data held at individual claimant level and understand the impact of any planned changes and the cost or saving any proposal will generate.
10. Through analysis, and discussions with neighbouring authorities as well as national bodies, we have arrived at 4 possible options for consideration, and within these options there are potentially variations on a theme. The options are set out in detail at Appendix 1, and in summary the options are:
 1. Fully fund shortfall in funding through a 1.5% increase in council tax for all.
 2. Meet the shortfall from cuts to other services and adopt the Government's 'default scheme'.
 3. Maximum eligible amount is reduced to 90% of the Council Tax chargeable limit to all those of working age except those in receipt of disability premium and war widows/ disablement pension. Plus reduction of exemptions and discounts as set out in detail at Appendix 1.
 4. Maximum eligible amount is reduced to 80% of the Council Tax chargeable limit to all those of working age except those in receipt of disability premium and war widows/ disablement pension. Plus reduction of exemptions and discounts as set out in detail at Appendix 1.

11. In reaching a conclusion on the preferred scheme it has to:
 - be relatively simple to understand from both the customer's perspective and from an administrator's perspective.
 - must minimise the impact on vulnerable groups such as the disabled and those entitled to either war disablement or war widow's pensions.
 - support the aim of making work pay.
 - share the impact equally across all working age claimants.
 - be feasible in terms of adapting existing software.
 - be fully operational by January 2013 and embedded for the purposes of tax base setting in autumn, 2012.
12. If the council were to implement the default scheme it is unlikely to simplify the scheme or provide an incentive to make work pay.
13. In addition to these changes it is noted that the council tax technical changes provide new legislative powers that will enable authorities to raise additional charges by amending entitlement to discounts and exemptions on for example empty homes and second homes. These are detailed at Appendix 2. This gives the ability to raise more Council Tax income than is presently collected, all other things being equal, and thus potentially reduce the draw arising from the 2013/14 reduction in government Council Tax Benefit grant.

Consultation and Communication

14. Government guidance states the process councils should follow in order to deliver their preferred scheme. It states:

Before making a scheme the billing authority must in the following order:

(a) consult any major precepting authority which has power to issue a precept to it

(b) publish a draft scheme in such a manner as it thinks fit, and

(c) consult such persons as it considers are likely to have an interest in the operation of the scheme

It also provides that whilst the Government's code of practice on consultation states that normally 12 weeks is appropriate, it is for billing authorities to consider the appropriate length of their consultation depending on the impact of their proposals and the ability to complete the consultation exercise within budgetary timetables.

15. The Council has already sought some views of the major precepting bodies in relation to the preferred option. This has not identified any issues but further, more detailed consultation will be required with the Fire and Police Authorities once the specific option has been agreed.
16. It is proposed to commence consultation with stakeholders and interested parties on the preferred option upon the making of this decision. The results of the consultation will be presented to cabinet on 31 October 2012. Cabinet's recommendation will then be considered by council and a final decision made on 13 November 2012 ahead of the statutory timetable for completion of the scheme on 31 January 2013 and ready for implementation from 1st April 2013.
17. Whilst it is important we conduct the consultation, particularly with the Fire and Police, in accordance with Government guidelines, Government have yet to determine any changes to the formula used for setting next year's tax base which are expected towards the end of the summer. It is anticipated that any alteration to incorporate council tax support will see a reduction in the tax base. We are aware of the concern this is causing our parishes and town councils.
18. If the recommendations contained in Appendix 2 are accepted then the effect of reducing discounts and exemptions will be to increase the tax base, and will initially help mitigate the impact the change to council tax support will have. As part of the consultation this approach will have to be conveyed, in detail, at parish level.

Environmental and climate change considerations

19. None

Equalities Impact of the Proposal

20. An Equalities Impact Assessment will be completed in the light of the outcome of the consultation.

Risk Assessment

21. The introduction of any new scheme, specifically a local scheme, carries with it the inherent risk, in terms of its design, to minimise challenge and dispute whilst offering a simple and cost effective solution.
22. To reduce the risk of non-compliance and / or acceptance the proposed scheme must be determined as soon as is practical in order that it can be the subject of consultation and impact analysis. Through consultation, awareness

of the impending changes can be raised with those affected to help them prepare, as well as afford the Council time to develop software solutions, procedures and the communications to deliver such a large change.

23. The change in funding arrangements will mean that the council will inherit a new financial risk due to the uncertainty over estimations of the collectability of income arising from the volatility of processing arising from the changes. This risk is made greater going forward to future years through the introduction of a new national benefit in the form of universal credit.

Risks that may arise if the proposed decision and related work is not taken

24. Maintaining the default scheme will mean the financial burden will have to be met in full by the council. Changes to council tax discounts and exemptions alone, will not be sufficient to meet the anticipated shortfall in funding between the anticipated expenditure on council tax support and the grants made available from April 2013 which means that the shortfall would have to be met from cuts to other service, and at this stage none are identified, and the Council also faces reduction in other funds and increasing costs and demands for other services.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

25. The revenues and benefits team have a reputation for delivering change projects. They are suitably equipped and have the skills, knowledge and connections with other service providers across the council to model and anticipate the impact of any change on mutual customers.
26. The team as a whole manage debt and payment plans in a sensitive and understanding way and have robust procedures in place for managing what will no doubt be an increasingly difficult arena in which to collect payment.

Risk	Action to mitigate the risk
1.communication	Corporate communications plan and consultation
2.cost	Analyse all possible options (See supporting papers)
3. complexity	Ensure understanding of staff & customers who will have to operate and claim for a growing number of benefit schemes

Financial Implications

27. It is understood from the Department of Communities and Local Government (CLG) guidance that each authority will be expected to realise at least a 10% reduction in spend, however it has to be determined in which year the spend

relates to. If the scheme is base-lined on a previous year's spend, (2010-11 looks likely) the saving could be nearer £3.5million.

28. In addition to the savings , it would be prudent to anticipate a level of growth in pensioner population since these claimants are protected from any changes to the scheme, plus growth for increasing levels of unemployment within the working age population, as well as allowances for contingencies, specifically a discretionary fund of £100,000 that can be administered in exceptional cases.
29. Based on these assumptions, it is believed that in order to utilise the funding available, taking into account the impact of growth, the council needs to commission a scheme that costs around £3.6 million less than the current council tax benefit scheme.
30. Whilst ideally the new scheme would be cost neutral, it is unlikely that any proposal will achieve this without significant financial pressure on those whose benefits will be cut. To minimise the overall impact the council can realise greater income generation from applying the new council tax technical changes to current exemption and discount rates as set out at Appendix 2. This is anticipated to generate around £1.3 million additional income if adopted. As such option 4 is supported as this realises a way to meet the majority of the reduction in funding.
31. Should recommendations around both a new localised Council Tax Support Scheme and changes to exemptions and discounts be adopted it should be noted that these are likely to create new and considerable challenges in terms of collecting the additional sums, which in turn will have an impact on administration and collection rates, however the overall impact on those in receipt of council tax benefit will be lessened. This has been factored into the financial considerations of the options appended to this report to manage the £3.6 million expected shortfall.
32. There are implications on both major precepting authorities (Police and Fire Services) as well as town and parish councils as a result in the changes in funding. It is vital therefore that the full impacts of the proposal are discussed with precepting authorities as part of the consultation process. Following this the financial appraisal may need to be revisited and account taken of the equalities impact assessment. This will be reported to cabinet on 31 October 2012 and their recommendation will be considered by council on 13 November 2012.

Legal Implications

33. The Local Government Finance Bill currently passing through Parliament makes provision for the localisation of council tax support in England by imposing a duty on billing authorities to make a localised council tax reduction scheme by 31 January 2013.

Under section 13A (2) of the Local Government Act 1992, substituted by clause 9 of the Bill, a billing authority must make a council tax reduction

scheme. Schedule 1A to the 1992 Act, inserted by Schedule 4 to the Bill, makes further provision about council tax reduction schemes wherein it specifies that before adopting a scheme the billing authority must, in the following order:

- a) consult any major precepting authority which has power to issue a precept to it
- b) publish a draft scheme in such manner as it thinks fit and
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

The Bill clearly sets out that the Councils' must consult in the order set out above and therefore when the public consultation is carried out the major precepting authorities will have been consulted and should have been involved in drawing up the initial proposals.

Although Councils have a broad discretion as to how consultation should be carried out, it is commonly accepted that certain fundamental propositions must be adhered to:

- (i) consultation must take place when the proposal is still at a formative stage;
- (ii) sufficient reasons must be put forward for the proposal to allow for intelligent consideration and response;
- (iii) adequate time must be given for consideration and response; and
- (iv) the product of consultation must be conscientiously taken into account.

With regard to the options set out in this report and to the preferred option, such consultation has taken place with the major precepting authorities as they have been actively involved in shaping them. Further, more detailed consultation will take place on the preferred option that is agreed.

The proposed consultation arrangements for stakeholders and interested parties are set out in paragraph 16 above. These arrangements enable the council to meet its obligations within its budgetary timetable and the overall statutory timetable that has been set for completion of the scheme.

This decision is being made under the Leader's delegated powers as set out in Part 3 and 3A of the Constitution in order to maximise the period for consultation on the draft scheme and at the same time to ensure that the council is able to complete the scheme within its budgetary timetable and the statutory timetable ending on 31 January 2013.

Options Considered

34. The options for consideration to replace the current Council Tax Benefit scheme with a localised support scheme are set out in Appendix 1. Option 4 being the preferred choice.
35. Appendix 2 provides details of the technical changes to council tax exemptions and discounts. Recommendations will be made to incorporate all these changes from April 2013.

Conclusions

36. The changes proposed are part of a huge change in the way our customers are awarded benefits. These changes are being brought about as part of the wider Welfare Reforms that will affect a variety of service we provide and impact upon some of the most disadvantaged members of our community; they are also being enacted at a time when household budgets are under great pressure. We must therefore consult with our claimants and partners so that we can manage these changes with them.
37. Against this backdrop, to simply do nothing and adopt the default scheme will mean that the council will have to shoulder the entire shortfall in funding. This is a national government scheme to be applied locally and the changes brought about are a result of national policy of the coalition government. The council needs to respond to this and should seize the opportunity to design a simplified scheme that offers some degree of protection to all working age claimants, and encourage work.
38. The proposals for the council tax support scheme have been designed to limit the impact on those least able to afford council tax. The proposals are made based on the principle that any scheme should be simple and equitable across all groups and offers incentives for those who can work, wherever possible. It will not apply to those of pension age or the most vulnerable in our communities.
39. Full advantage of the Council tax technical changes to exemptions and discounts presents the council with an opportunity to generate further revenue and lessen the impact of the grant reduction on the council's budget. It will also enable the council to support the ambition to bring empty houses back in to occupation as quickly as possible and ensure funding is secure to benefit the wider community.

Recommendations

40. Of the options provided in Appendix 1 it is recommended that Option 4 is adopted as the preferred scheme on which consultation should be based. The scheme offers the greatest ability to manage the reduction in central government funding, and creates opportunities to give greater incentives for those who work and greater protection for those who are most vulnerable.

41. Having analysed the impact of council tax technical changes at Appendix 2, the decision to adopt all the changes will provide further income to counter variation in demand for council tax support and the council's aims to bring empty homes back into occupation, more quickly.
42. It is recommended that the council introduce a discretionary fund of to be administered in conjunction with the discretionary housing payments (DHP) and Social Fund to mitigate the impact of transition from the old scheme to the new, in cases where householders may feel the impact of other changes to benefit entitlement, under-occupancy costs, for example.

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Background Papers
Financial models analysing impact of Option 1, 3 and 4.

Appendices
Appendix 1 = Scheme Options
Appendix 2 = Council tax Technical changes.

