WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

27 NOVEMBER 2012

CABINET

29 NOVEMBER 2012

SUBJECT	WELFARE REFORM: LOCAL COUNCIL
	TAX SUPPORT SCHEME
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO	COUNCILLOR PHIL DAVIES
HOLDER	
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 The Authority is required to establish a Local Council Tax Support Scheme, known as Council Tax Support (CTS) to replace Council Tax Benefit (CTB) from April 2013. This is a key strand of the Government's wider Welfare Reform review. The Scheme also brings with it reduced funding from Central Government, and Wirral needs to consider how to address this reduction in funding.
- 1.2 This report proposes a Local Council Tax Support Scheme to replace CTB for 2013/14 that manages the £3.2 million shortfall in Government funding which is based upon current, and increasing, levels of CTB. There are associated costs that increase the shortfall to a maximum of £3.635 million. In addition, the change also increases the likely level of non-collection of Council Tax by up to £1 million gross / £0.85 million net, and this needs to be included within the Budget Projections for 2013/14.
- 1.3 The Council must approve a scheme no later than 31 January 2013 or the Government default scheme, requiring the shortfall to be fully funded by the Council, will be imposed. Members are asked to approve a scheme to Council.

2.0 BACKGROUND AND KEY ISSUES

CHANGES IN LEGISLATION

2.1 In the Spending Review 2010 it was announced that the CTB Scheme would be abolished and a framework for localised support schemes for Council Tax would be introduced and operative from 2013/14. It was also announced that Government support would be reduced by 10% of current year spend. For Wirral the spend is £32 million with an increasing take-up of 1% per annum.

- 2.2 The Local Government Finance Bill (enacted in November 2012) and the Welfare Reform Act 2012 impose a duty on billing authorities to design and introduce a Localised Council Tax Reduction Scheme (CTR) by 31 January 2013 for operation from 2013/14. If not the Government Default Scheme is introduced which requires the Council to fully fund to previous CTB levels.
- 2.3 The Local Government Finance Act 2012 was given Royal Assent on 1 November 2012 and incorporated an amendment from the House of Lords that the CTS schemes will be reviewed after 3 years.

LOCALISED SCHEME - PENSIONERS AND VULNERABLE GROUPS

- 2.4 The Government has prescribed that local schemes must offer protection to certain groups, which will include eligible pensioners, based on the same factors that have determined their eligibility and award under the current Council Tax Benefit (CTB) scheme. Unlike most other groups, pensioners cannot be expected to seek out paid employment to increase their income and are protected from any reduction in Council Tax Support. Pensioners currently account for 41.5% 17,736 of the Council CTB caseload of 42,713. As current charge-payers age, and so meet the criteria, this will increase the numbers being protected. Wirral's age profile is of an increasing elderly population and no additional funding is provided for this ongoing shift.
- 2.5 The Government have indicated that a local scheme should also look to support to the same level as now other "vulnerable groups", which are currently not defined, as well as ensuring that the scheme supports the Welfare Reform programme aim of supporting people back into work. Wirral has consulted on whether vulnerable people should be protected under its CTS scheme and 82% of respondents agreed they should be. Members are asked to consider which groups should be considered for inclusion in the vulnerable category. The table shows the cost of this protection which would have to be paid by Working Age claimants (to fund all groups this cost would be £719,000):

Table 1 : Claimant Numbers and Funding the cost of Vulnerable Groups

Group	Numbers		Cost to Working Age claimants	
		£	£	
Pensioners	17,736			
Vulnerable *				
Disabled	4,269	618,000		
Disabled Child	657	95,000		
War Pensioners	<u>38</u> 4,964	6,000	719,000	
Total	22,700		719,000	
Working Age	<u>20,013</u>		(719,000)	
Total	42,713		0	

- * Vulnerable for the purposes of the Scheme are people who receive a Disability Premium or who have a disabled child and are in receipt of a disabled child premium and people in receipt of a War Pension. The vulnerable groups under the scheme are as set out in the current CTB scheme.
- 2.6 If pensioners and the vulnerable groups, which equate to 53.1% of the current claimant base, are not worse off in 2013/14 compared to 2012/13 then the Working Age claimants have to bear the cost that the Council decides not to fund. The impact is that the Working Age claimants will pay up to 22% of the Council Tax charge.

FUNDING THE LOCAL COUNCIL TAX SUPPORT SCHEME

- 2.7 The Government will allocate funding separately to billing and precepting authorities, in proportion to their Council Tax charge, to support the provision of Local Schemes. Under the previous CTB arrangements Wirral as the administering authority was fully reimbursed for all awards made. Wirral will now receive 85% of the available funding with the Police and Fire and Rescue Services the balance. The grant is not being ring-fenced to use for the Local Scheme so authorities can decide its scale as long as any statutory levels and protections are met.
- 2.8 The grant will be a reduction of 10% on previous CTB grant funding. It will be based upon the May 2012 caseload and reassessed at November 2012 and will take no account of any ongoing increase in caseload. For Wirral this is currently showing a 1% to 2% per annum increase (the risk is upon the Council and each 1% increase in benefits paid will cost the Council £300,000). Those authorities with a high proportion of people on benefits face higher risks than those serving less deprived areas, as do those with an ageing population, both at a time of unprecedented resource reduction for all authorities.
- 2.9 CTB currently reduces the net Council Tax payable whereas the 25% Single Person Discount reduces the gross sum payable and is taken into account in the annual Council Tax Base calculation used to determine the level of Council Tax. The new Local Scheme will be viewed as reducing the gross sum due (the same as the Single Person Discount calculation) thus reducing the Council Tax Base. The Council's total budget requirement to be raised from Council Tax is reduced by the Government grant which is set at 90% in respect of the previous CTB awards.
- 2.10 As the Council Tax Base and amount to be raised both reduce the charge per Council Tax Band should be equivalent to 2012/13 bar for the 10% reduction. The Government view is that authorities are then free to make up any or all of the 10% reduction and if the full sum is found (£3.2 million for Wirral) the Council Tax level would stay the same.

LOCAL SCHEME CONSULTATION

- 2.11 All Councils are legally required to consult on their proposals for the CTS scheme. Wirral's consultation took place from 3 September to 31 October 2012. Forms were available on line and at Libraries and One Stop Shops and Council staff attended October's Neighbourhood Forums to explain and encourage participation. There was an advert in the local press and a direct email to 7,662 centrally held names which drew 1,158 responses.
- 2.12 This consultation coincided with the" What Really Matters" consultation and there were 1,826 responses which is high in comparison with other Councils. The responses and comments have informed the final decisions made in drawing up the Wirral scheme proposals for 2103/14. The Appendix details the responses with the headlines being:-
 - 98% were Wirral residents.
 - 27% were in receipt of Council Tax Benefit/.
 - 40 responses were received from Voluntary Groups, 37 from Registered Providers and 50 from Private Landlords.
 - 82% agreed the Council should protect vulnerable people.

LOCAL COUNCIL TAX SUPPORT SCHEME

- 2.13 The report to Cabinet on 19 July 2012 indicated that Wirral like all Councils was likely to retain most of the elements within the current Council Tax Benefit scheme and this remains the case. However there are some amendments which will mitigate the shortfall in Government grant.
- 2.14 Whilst all software suppliers have stated they will be unable to provide a bespoke system for 2013/14 they are confident that they will be able to deliver Wirral's proposed changes by altering their current CTB system. In respect of administration there will be increased costs of £135,000, made up of
 - court fees payable (approximately £35,000),
 - payment processing costs (potentially 200,000 additional payments approximately £85,000) and,
 - postage and stationery costs (£15,000).

Table 2: COSTS OF THE LOCAL SCHEME 2013/14

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Details	t.
10% reduction in Government Grant	3,200,000
Increasing caseload at 1% per year	300,000
Administration and Court Costs	135,000
Total Costs	3,635,000

2.15 The schemes have been modelled on historical data and whilst subject to change before the year-end will be minor changes within acceptable parameters. The recommended scheme (Scheme 1) is based upon the reduced funding available and Scheme 2 based largely on the recently announced one year transitional protection grant from Government. Scheme 3 is the Government Default Scheme if the Council does not implement its own scheme.

SCHEME 1 – GRANT REDUCTION CONTAINED WITHIN CLAIMANT BASE (recommended as this scheme sees the costs being met)

2.16 n summary, the costs can be met using five proposals detailed after Table 3

Table 3: RECOMMENDED (SCHEME 1) INCOME TO THE COUNCIL

Details	£
Proposal 1 Award limited to 78%	3,190,000
Proposal 2 Second Adult Rebate	123,000
Proposal 3 Limit Flat Rate Deductions	183,000
Proposal 4 Stop backdating of claims	58,000
Proposal 5 Support based on savings	81,000
Total Income	3,635,000

2.17 Detail of the five items:

 Proposal 1 - Limit the award of Council Tax Support to 78% of the Council Tax liability

Rather than the current 100% liability so, at least, 22% of Council Tax will be paid by the Working Age claimants which currently number 20,013. This equates to approximately £4.15 per week to be paid by a couple living in a Band A property and £3.11 or per week for a single person living in a Band A property. Limiting awards to 78% reduces the CTS funding shortfall by £3.190 million.

- Proposal 2 Remove Second Adult Rebate
 - Currently 389 people are not entitled to Council Tax Benefit on their own right as their income or savings are too high but they can claim Second Adult Rebate because they have an adult living with them who is on low income. The maximum reduction is 25% and the removal of this realise £123,000.
- Proposal 3 Flat-rate Non-Dependant deduction at £9.90 per week
 Other adults such as sons, daughters other relatives or friends who live
 in a claimants house are expected to contribute to bills such as Council
 Tax. The deduction presently varies from £3.30 to £9.90, depending on
 the adult's income. This would currently impact on 805 households and
 realise £183.000.

Proposal 4 - Stop backdating of CTS claims
 Currently CTB claims can be backdated for up to 6 months if good cause is shown for not claiming earlier. In the first half of 2012/13 432 claims were backdated. If Wirral only granted CTS from the date of the

claim then it will reduce the CTS shortfall by £58,000.

• Proposal 5 - Limit CTS support to those with savings under £6,000 Under the current scheme savings between £6,000 and £16,000 are taken into account when calculating CTB. Savings over £16,000 and the claimant will not qualify for CTB. There are currently 119 CTB claimants with capital over £6,000 who would no longer qualify and this proposal will reduce the CTS shortfall by a further £81,000.

Note: Members should be aware that these proposals are not mutually exclusive and some charge payers would face two or more reductions further increasing their Council Tax bill.

SCHEME 2 – TRANSITIONAL GRANT SCHEME (not recommended as this only part funds the scheme and this part funding is only for the financial year 2013/14)

- 2.18 On 15 October 2012 the Government allocated £100 million to help assuage the £500 million removed overall from the national CTB scheme. This transitional payment is only available for 2013/14 so would have to be found by Councils in 2014/15 or claimants would then face a significant increase in Council Tax payments.
- 2.19 Wirral's' share, providing specific conditions were met in relation to its local CTS scheme, is likely to be £747,000 and to receive the grant:-
 - The level of Council Tax payable must be limited to 8.5%. The Wirral Scheme 1 proposal has a payable level of 22%.
 - The taper rate used in the scheme not increasing to more than 25%;
 Wirral had no plans to do this.
 - There is no sharp reduction in support to those returning to work. Wirral had no such plans.
 - Councils would not propose large increases in non dependant deductions. Wirral plans to rationalise all deductions to £9.90 (Scheme 1, proposal 3).

Table 4: NOT RECOMMENDED (SCHEME 2) COST TO THE COUNCIL

Details	£
Proposal 1 (amended) Award limited to 91.5%	1,235,500
Proposal 2 Second Adult Rebate	123,000
Proposal 4 Stop backdating of claims	58,000
Proposal 5 Support based on savings	81,000
Grant	747,000
Total Income	2,244,500
Council costs are £3,635,000 so shortfall	1,390,500

2.20 If Wirral applies for the grant of £747,000 then CTS budget savings of £1,390,500 will have to be identified. Proposals 1 and 3 cannot be actioned so will not deliver the savings from within the local CTS scheme or provide for a 1% increase in caseload for 2013/14. The grant cannot be applied for until after 31 January 2013, when the new CTS scheme will be in place and will be payable in March 2013. Given the criteria and the Council's financial situation applying for the grant is not viewed as the preferred option.

SCHEME 3 – GOVERNMENT DEFAULT SCHEME (not recommended as the Council would have to identify savings equivalent to the 10% reduction in Government Grant)

2.21 Failure to adopt a Local Scheme will result in the Government default scheme being imposed upon the Council. This scheme is the current CTB scheme and will require Wirral to fully fund the 10% grant reduction and also the new claimants for 2013/14. Given the financial impact this is not recommended.

IMPACTS OF BILLING AND COLLECTING INCREASED COUNCIL TAX

2.22 From April 2013 Council Tax will become collectable from some of the more vulnerable and low income working age residents with many making payment for the first time. Consequently this will impact upon collection rates with a likely drop in collection from the current 97.5% by 0.4% to 1% which equates to between £0.6 million to £1 million gross in 2013/14. The net loss to the Council needs to be reflected in the Budget Projections for 2013/14.

Table 5: LOSSES ON COLLECTION TO BE FUNDED BY THE COUNCIL

Details	£ Minimum	£ Maximum
Drop in collection	600,000	1,000,000
Preceptors share	90,000	150,000
Loss to the Council	510,000	850,000

- 2.23 A higher percentage of non-payment is inevitable, as previous 100% recipients are presented with a Council Tax bill for the first time similar to when General Rates was replaced by Community Charge in 1990. The Universal Credit Regulations are awaited to see if it will allow for deductions for non-payment of Council Tax. The current amount of deduction would take approximately 56 weeks to clear the Council Tax debt plus costs due thus leaving an increasing year-on-year level of debt.
- 2.24 The level of contact will inevitably also increase with volumes of advice support and collection contacts being handled at One Stop Shops / Libraries, Call Centre and Back Office. These are not contacts likely to be handled via the developing self service route. Effective contact will also include trying to direct to other agency and organisations support, albeit they too will be facing this situation with reduced resources.

3.0 RELEVANT RISKS

- 3.1 Whichever Local Scheme is agreed there are the risks around the impact upon both claimants and the Council. For the Council this relates to the collectability of the sums due including the increased administration required to pursue what will be low level debts. The implementation of Scheme 1 will mitigate the costs to the Council although there will be an increase in costs due to the non-collectability of the debts.
- 3.2 If the Council does not adopt a Local Scheme the Government will impose its default scheme, which is the current scheme and it will still have to find the full level of savings and increase in caseload for 2013/14, affecting its budget adversely.
- 3.3 In respect of demographic changes the Council has allowed for a contingency of 1% representing increased claims for 2013/14. This covers the increase in the elderly population. There is an economic risk in that if any large Wirral based employer or one in the surrounding area ceased to trade there could be a considerable increase in the number of claimants. Wirral has to fund increases arising from these changes from its own resources.

4.0 OTHER OPTIONS CONSIDERED

4.1 There is a statutory requirement to have a Localised Support Scheme for Council Tax in place by 31 January 2013 or the Government default scheme will be used as the Localised Scheme for 2013/14.

5.0 CONSULTATION

5.1 This has taken place with precepting authorities, interested groups and the public during the period 3 September 2012 to 31 October 2012 (Council Tax Benefit Is Changing – Have Your Say).. Wirral has satisfied its legal responsibilities around consultation and received a high number of responses from the public.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are ongoing implications for all groups as the impact of the changes are identified and implemented.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 The adoption of a Localised Scheme includes the need to change financial modelling to support the Scheme. The Government support will reduce by around £3.2 million in 2013/14 and the Council has to determine whether to meet this loss from alternative savings or to fund all, or part of this, from a reduction in awards to current CTB recipients. Depending upon the decision taken there could be increased challenges in collecting the sums due.

7.2 The Localised Scheme options are set out in Section 2 as being:-

SCHEME 1 – GRANT REDUCTION CONTAINED WITHIN CLAIMANT BASE

Recommended as this essentially ensures the Scheme can be funded from within the reduced resources available – see above of which:-

Table 6: COSTS OF THE LOCAL SCHEME 2013/14

Details	£
10% reduction in Government Grant	3,200,000
Increasing caseload at 1% per year	300,000
Administration and Court Costs	135,000
Total Costs	3,635,000

Table 7: INCOME TO THE COUNCIL

Details	£
Proposal 1 Award limited to 78%	3,190,000
Proposal 2 Second Adult Rebate	123,000
Proposal 3 Limit Flat Rate Deductions	183,000
Proposal 4 Stop backdating of claims	58,000
Proposal 5 Support based on savings	81,000
Total Income	3,635,000

The reduction in grant of £3.2 million is met by Working Age Claimants paying Council Tax at 22%, to meet the costs of the increasing numbers of claimants, administration and court costs.

SCHEME 2 – TRANSITIONAL GRANT SCHEME

Not recommended as the Transitional Grant would be £747,000 so the Council would have to find £1.4 million in 2013/14 as well as the costs for the increasing claimant numbers. This grant is only payable for 2013/14 so the Council would have to find further savings in 2014/15, equivalent to the grant.

SCHEME 3 – GOVERNMENT DEFAULT SCHEME

Not recommended as this would require the Council to identify £3.2 million from its own resources requiring alternative savings to be identified.

7.3 There is likely to be a shortfall of up to £1 million gross / £0.85 million net, in income due to these changes as sums are being collected from those who previously did not pay. This shortfall needs to be reflected in the Council Budget Projections for 2013/14, as a reduction in the income from a change in the Council Tax discounts.

7.4 The on-going staffing and IT requirements to administer the new scheme will depend upon the Scheme agreed. In terms of implementation the Government provided £84,000 with an indication that it can be used to support the development of new schemes with £59,000 required to fund the amendments to the current CTB system.

8.0 LEGAL IMPLICATIONS

8.1 The Scheme could be subject to challenge by Judicial Review so once the Scheme is approved this will be prepared in conjunction with the Head of Legal Services.

9.0 EQUALITIES IMPLICATIONS

9.1 The potential impact on equality of the proposals has been nationally considered reviewed and the DCLG hyperlink is:
http://www.communities.gov.uk/publications/localgovernment/lgfblocalcounciltaxeia

The Council's current benefit related equality impact assessments are at:-; http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/finance

The introduction of a Local Scheme will have equality implications which will be more clearly identified as the Scheme is developed. A Phase 1 Equality Impact Assessment is appended.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATIONS

- 12.1 That it be recommended to Council that:
 - a) Eligible Pensioners and Vulnerable Groups (disabled, disabled child and war pensioners) be protected under the Local Council Tax Support Scheme.
 - b) The Local Council Tax Support Scheme proposed for 2013/14 be Scheme 1 with the associated proposals that will see Working Age Claimants meet 22% of the Council Tax payable in order to meet the £3.2 million reduction in Government Grant.
 - c) The annual increase in caseload, estimated at 1% (£300,000) per year be included with the Budget Growth Projections for 2014/15 onwards.

- d) The potential losses on collection of £1million gross /£0.85 million net be incorporated within the Council Tax Base calculation and that this reduction in Council Tax Income be reflected in the Budget Projections for 2013/14, funded from the change in the Council Tax discounts.
- e) Thanks are extended to those residents who participated in the Council Tax Benefit consultation in ensuring the consultation was meaningful.

13.0 REASONS FOR RECOMMENDATION

13.1 The Council is required to adopt a Local Council Tax Support Scheme for implementation in 2013/14 and this report enables Overview and Scrutiny Committee and Cabinet to consider the proposed Scheme and constituent proposals and for making recommendations to Council.

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REFERENCE MATERIAL

National statistics - statistics.dwp.gov.uk
Department for Work and Pensions / Department for Communities and Local
Government - guidance and legislation

SUBJECT HISTORY

Council Meeting	Date
Cabinet	22 September 2011
Council Excellence Overview & Scrutiny Committee	16 March 2011
Council Excellence Overview & Scrutiny Committee	17 November 2011
Council Excellence Overview & Scrutiny Committee	26 March 2012
Cabinet	19 July 2012

CONSULTATION ON CHANGES AFFECTING COUNCIL TAX

BENEFIT FROM 1 APRIL 2013

The Consultation Period was 3 September 2012 to 31 October 2012 and 1,826 people responded to the 12 questions asked in response to the Government changes. Respondents were asked if they Strongly Agreed, Agreed, Neither Agreed

nor Disagreed, Disagreed or Strongly Disagreed.				
For this exercise responses have been grouped into Agree or Disagree				
1	The Council should look to increase the amount of money raised from households and increase charges for everyone.			
	Agree	19.1%	Disagree	67.1%
2	The Council should raise the amount of Council Tax by increasing the charges on Second Homes and Empty properties. This would allow the Council to make no changes to the Council Tax scheme.			is would allow the
	Agree	83.3%	Disagree	9.5%
3		should make no changes to e further cuts to services to		
	Agree	18.0%	Disagree	61.1%
4	starts work the weeks, regard Should peop	ten someone who has been they continue to receive the rdless of their income. Last le receiving Council Tax Sur a 4 week period once they Tax?	same level of tyear this cos upport continu	benefit for an extra 4 t the Council £81,000. e to get the same level
	Agree	42%	Disagree	45.7%
5		should implement the Gove ax Benefit award to working		
	Agree	49.7%	Disagree	29.3%
6	maximum pe	should consider reducing the recentage, for example 80% bending by approximately £3	. This would	enable the Council to

Disagree

24.5%

Agree

56.6%

As well as protecting pensioners, the Council has a requirement to define and protect vulnerable people who are genuinely unable to work. If we do protect some vulnerable claimants then we need to make larger reductions in the support given to other working age people. We have defined our vulnerable adults as people who are disabled, have a disabled child or a recipient of a War Pension. Do you agree the Council should protect vulnerable people?

Agree 81.6% Disagree 9%

Some single customers are not entitled to Council Tax Benefit in their own right because their income is too high or they have too much savings. However they can claim Second Adult Rebate because they have an adult living with them who is on a low income. They can get up to 25% off their bill. By removing Second Adult Rebate would enable the Council to reduce its spending by approximately £123,000. Should people who receive this rebate be asked to pay more?

Agree 70.8% Disagree 15.3%

9 Under the existing Council Tax Benefit scheme other adults such as a grown up son, daughter, other relative or friend who lives in a claimant's home are expected to contribute to household bills, such as Council Tax. If Wirral introduced a standard non-dependent deduction set charge for example £9.90 this would reduce spending by more than £183,000. Should all working age people who have non-dependents living with them be asked to pay more?

Agree 65.9% Disagree 22.4%

Currently Council Tax Benefit awards can be backdated for up to 6 months if the claimant can show good reason why they did not claim from an earlier date, If Wirral awarded benefit from the date of the application only; it would reduce spending by approximately £58,000. Should Wirral continue to back date claims?

Agree 41.4% Disagree 43.8%

11 Under the current scheme a person's savings are taken into account when calculating Council Tax Benefit if they are over £6,000, in the new Council Tax Support scheme, Wirral proposes not to offer any support to claimants who have savings over £6,000. By doing so Wirral would reduce its spending by approximately £81,000. Should the Council do this?

Agree 54.0% Disagree 32.5%

The Council should have a Discretionary Support Fund to support and reduce the Council Tax bills of people suffering genuine and exceptional hardship, because of the changes being made to Council Tax Benefit. Should the Council have a Discretionary Support Fund?

Agree 78.6% Disagree 10.5%

There were 499 comments that were considered as part of the overall analysis and formulation of the proposed scheme.