

WIRRAL COUNCIL

CABINET

21 JUNE 2012

SUBJECT:	2012/13 BUDGET REDUCTION
WARD/S AFFECTED	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR PHIL DAVIES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report details issues in the administration of the 2012/13 Budget Reduction in respect of Council Tax charge payers in receipt of Council Tax Benefit, and recommends a clarifying statement.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Cabinet meeting on 21 February 2012 (minute 317) approved a reduction the equivalent of a 3% cut in Council Tax, giving up to £4m back to help people meet their Council Tax liability. This was based on a Band A property receiving £22, Band D £33 up to Band H £66 in the same proportion as Council Tax Bands. The awards have been given to all qualifying residential properties and a total of £3.85m awarded. The balance will be required for subsequent changes in entitlement.

2.2. This Budget Reduction is not a permanent reduction in Council Tax levels, or Council Tax Benefit, the national system of support for low income households liable for Council Tax, nor is it a local Council Tax discount. It is a reduction made by the Council, which has been credited to each Council Tax account.

2.3. There is a need to clarify the position with regard Council Tax Benefit claimants, some of whom do not pay any sum towards their Council Tax.

2.4. Council Tax Benefit is awarded after any discounts, such as single person discount, and reflects the household income. Those on the lowest income can receive up to 100% of the payable sum. Wirral has 39,898 Council Tax Benefit recipients and this continues to increase at about 500 per annum. 29,060 of these cases currently receive a full award (100%), leaving nearly 11,000 non 100% recipients.

- 2.5. The Budget Reduction has been applied on each account after all discounts. The Council Tax bills show this as a Budget Reduction reducing any arrear first and then the first instalment of the current year.
- 2.6. The 11,000 Council Tax Benefit claimants who receive part awards (i.e. not 100% benefit) and therefore pay a proportion of their Council Tax saw their sum to be paid reduced by the Budget Reduction sum just as non benefit recipients did.
- 2.7. The issue that has caused considerable comment is Council Tax Benefit claimants who were eligible for 100% rebate on the qualifying date. The original award was made on the basis that these households are not “exempt” from Council Tax and are liable to pay, but are given support to meet their liability due to their level of current income, in exactly the same way as non 100% claimants. The 100% benefit level is given only for those on the lowest income and once a claimant receives more income than the threshold they are then responsible for a level of payment.
- 2.8. For the avoidance of doubt, the scope and application of the 2012/13 Budget Reduction was never intended to allow for any person who is in receipt of 100% Council Tax Benefit throughout the financial year 2012/13 to qualify for a refund.
- 2.9. It is important to note that Council Tax Benefit claimants, especially those of a working age, do go on and off benefits during the year and as at the qualifying date (1 April 2012) they may be in receipt of 100% benefit but could within the year have a payable Council Tax sum which is what this reduction is intended to support.
- 2.10. To accommodate this potential for change, full Council Tax Benefit claimants received the award but no refunds have been given and instead the credit held on their respective accounts. The credit is held on the Council Tax account to take account of any liability should the claimant move off full Council Tax Benefit during the financial year.
- 2.11. The credit given to the charge payer by the Council is in respect of any liability that may arise in the current financial year and as such I continue to monitor the position and will finally review in March 2013. It is likely that thousands of claimants who are currently in receipt of full Council Tax Benefit may become liable, even for a short period and this credit would be used for the purpose it is intended to help meet any liability in the financial year.
- 2.12. At the end of 2012/13, in practical terms March 2013, any accounts still in credit would have the Budget Reduction removed as they have not needed it for the purpose for which it was awarded. However it is considered prudent that Cabinet approve this clarification to what is in effect a condition to the reduction. The reversal of any award would be completed prior to year end closedown in March 2013 to ensure 2013/14 bills do not show the credit. This would largely be done automatically but with a number of manual changes.

3.0 RELEVANT RISKS

- 3.1. If this decision is not made the Authority could be in a position in having to refund a small sum of money to people who have not paid Council Tax.

4.0 OTHER OPTIONS CONSIDERED

- 4.1. That at the end of the financial year any credits could be refunded to the Council Tax payer. This may not be viewed as acceptable given 100% Council Tax Benefit recipients have had their Council Tax liability for 2012/13 already met in full.

5.0 CONSULTATION

- 5.1. No consultation has been undertaken.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1. There are none arising from this report and the actions proposed.

7.0 RESOURCE IMPLICATIONS; FINANCIAL, IT, STAFFING & ASSETS

- 7.1. Financial – £3.88m of the £4m budget has been awarded of which £700,000 appeared as initial credits on 100% CTB claimant accounts.
- 7.2. IT – The Council Tax system has been used to give the Budget Reduction and the proposal detailed here can primarily be undertaken by the system.
- 7.3. Staffing – Overtime may be needed to handle manual systems actions after automatic changes but these costs would be contained within the departmental staffing budget.

8.0 LEGAL IMPLICATIONS

- 8.1 Under Council Tax legislation a billing Authority does not have a right to hold on to a credit longer than work timescales dictate and the report addresses that concern in clarifying how the Budget Reduction is being administered.

9.0 EQUALITIES IMPLICATIONS

- 9.1. There is no implication on equality issues on the action being proposed.

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 Cabinet confirms that with regard to the administration of the 2012/13 Budget Reduction it is clarified that any chargepayer who is in receipt of 100% Council Tax Benefit, shall not be entitled to any credit arising as the reduction can only be used in the financial year 2012/13 to offset the equivalent sum of any Council Tax liability that the chargepayer is required to discharge.
- 12.2. That at the end of the financial year 2012/13 in the event that a chargepayer's Council Tax account is in credit and the reason for that credit is solely due to any Budget Reduction, then in such circumstances the Budget Reduction shall be removed from the chargepayer's Council Tax account, as they have not needed it for the purpose for which it was awarded.

13.0 REASON FOR RECOMMENDATIONS

- 13.1 To avoid any misunderstanding it is appropriate that Cabinet approve the necessary clarification in relation to the administration of the Budget Reduction to those people who remain on 100% Council Tax Benefit throughout this financial year.

REPORT AUTHOR: **Malcolm Flanagan**
Head of Revenues Benefits & Customer Services
Telephone: (0151 666 3260)
email: malcolmflanagan@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	21 February 2012