

CABINET

11 SEPTEMBER 2013

THE OVERVIEW & SCRUTINY COMMITTEE

23 SEPTEMBER 2013

REVIEW OF LOCAL COUNCIL TAX REDUCTION SCHEME

REPORT OF HEAD OF REVENUES

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RECENT REFERENCES

CAB2415: Localisation of Council Tax Support and Council Tax changes, 5<sup>th</sup> December 2012

EXECUTIVE SUMMARY:

Council Tax Benefit (CTB) was replaced with a local Council Tax Reduction (CTR) Scheme from 2013-14. At the same time the Council introduced changes to the Council Tax discounts and exemptions relating to second homes and empty properties. The Council must now consider the options for 2014/15.

The national welfare reform programme is on-going with significant changes being implemented currently and further reform planned. The programme for Universal Credit (UC), which will have a significant impact on the CTR Scheme, is currently scheduled to be completed by the end of 2017. Changes to benefits for disabled customers are also on-going.

This report contains an appraisal of the current position and recommendations for the Scheme in 2014/15.

Although the initial impact of the Council Tax changes introduced in April 2013 has passed, given the level of change for 2013/14, a further reduction in the discount levels is not recommended.

Benefits customers are experiencing a time of significant change. The current CTR Scheme works well and provides full benefit for those on the lowest incomes and in greatest financial need.

The CTR Scheme will need to be amended when UC is fully implemented for

Winchester residents. At that time the Scheme will be simpler to administer for all customers as entitlement to CTR will be linked to the elements of UC that customers receive. The detailed timescale for the bulk transfer of Housing Benefit (HB) claims to UC is not known.

Based on the first four months of operation, it seems that the new Scheme can be funded from the income generated by the changes to Council Tax discounts and exemptions and a reduced level of expenditure on CTR. This means that no additional budget pressure will be created by the fact that the transitional grant was made for 2013/14 only.

Given the current and future scale of welfare reform it is recommended that the current CTR Scheme, with a further increase in disregarded earned income, continues to be adopted for 2014/15.

It is necessary to present the updated detailed local CTR Scheme for 2014/15 to Council on 8<sup>th</sup> January 2014 as the increases in components used in the CTR calculation will not be available from the Department for Work and Pensions (DWP) & Communities and Local Government (DCLG) until December 2013.

#### RECOMMENDATIONS:

1. That officers be instructed to present a report direct to Council on 8 January 2014. The Council must approve the Scheme for 2014/15 by 31 January 2014. Officers to present:
  - a) The updated detailed local Council Tax Reduction Scheme for 2014/15 for approval
2. That Cabinet recommends to Council (on 8 January 2014):

That Council adopts the local Council Tax Reduction Scheme proposed in this report as follows:

  - a) Base the local Council Tax Reduction Scheme for 2014/15 on the scheme adopted for 2013/14;
  - b) Increase components in the CTR calculation in line with the increases the DWP & DCLG provide for in the Housing Benefit Regulations 2006 (as amended) and the Council Tax Reduction Scheme (Prescribed Requirements) Regulations 2012 for 2014/15;
  - c) Increase income disregards for working age claimants further so that single claimants have the first £20.00 of earned income disregarded and others have the first £50.00 of earned income disregarded

#### TO THE OVERVIEW AND SCRUTINY COMMITTEE:

That The Overview and Scrutiny Committee raises with the Portfolio Holder any issues arising from the proposals outlined in this report and considers whether any items of significance be drawn to the attention of Cabinet or Council.

CABINET11 SEPTEMBER 2013THE OVERVIEW & SCRUTINY COMMITTEE23 SEPTEMBER 2013REVIEW OF LOCAL COUNCIL TAX REDUCTION SCHEMEREPORT OF HEAD OF REVENUESDETAIL:1. Introduction

1.1. Included within the Comprehensive Spending Review 2010 the Government announced that it would localise support for Council Tax from 2013/14, reducing Government financing by 10%. This meant that the Council had to design its own CTR Scheme for Winchester residents to replace the national CTB Scheme.

1.2. At the same time the Government made changes to legislation relating to the Council Tax liabilities of second home owners and owners of empty properties. The Council was therefore able to consider changes which could support the Council's corporate aim of increasing the supply of available housing in the district and would also provide a modest additional income which could be used to offset the cost of the CTR Scheme.

2. Background

2.1. The timescale available to introduce the new CTR Scheme and Council Tax changes was limited with the project having to proceed prior to legislation being issued. The Council had to consider some difficult decisions which would potentially affect some of the most vulnerable residents within the district. A comprehensive consultation exercise was carried out. This included major precepting authorities, benefit and Council Tax customers and stakeholder organisations.

2.2. The Council, having considered the representations made during the consultation process, introduced a local Scheme for 2013/14 which did not change the underlying basis on which the amount of financial support the Council provides is calculated. The Council was keen to ensure that it supported working age customers, who were in work, and therefore enhanced the Scheme by increasing the amount of earned income that is disregarded in the benefit calculation.

2.3. The Council was able to claim an additional Transitional Grant to offset some of the cost of the new Scheme. This was the preferred way forward given the on-going changes under the wider welfare reform programme.

- 2.4. At the same time the Council introduced changes to discounts and exemptions relating to second homes and empty properties. The income raised by these changes was to be used to offset the cost of the CTR Scheme.
- 2.5. The estimated net surplus of the new Scheme to the Council, taking into account the income raised by the discount and exemption changes, together with the Transitional Grant, was £16,000. That surplus, together with New Burdens funding from the Government was used to fund a money advice service from the CAB to assist customers directly affected by the welfare reform changes.
- 2.6. The Council must now review the position for 2014/15.

### 3. Consultation

- 3.1. The results of the consultation process carried out last year have been considered in reviewing recommendations for next year.
- 3.2. The Council conducted a stakeholder consultation event on 31 July 2013. The event was attended by representatives from the Citizens Advice Bureau, Winchester Area Community Action (WACA) and the Council's Housing Section. The impact of the scheme adopted for 2013/14 was discussed as were implications of changes to the Scheme in 2014/15 and beyond.
- 3.3. Stakeholders were supportive of the Scheme that the Council introduced for 2013/14 and emphasised the importance of clarity and stability for customers in moving forward given the significant amount of change associated with Welfare Reform.
- 3.4. Formal consultation is not required for the recommendations for the Scheme in 2014/15 as it appears that it can be funded from the income generated by the changes to Council Tax discounts and exemptions made in 2013/14 and a reduced level of expenditure on CTR.

### 4. Review of current arrangements and recommended approach for 2014/15

- 4.1. Although the initial impact of the Council Tax changes introduced in April 2013 has passed, given the level of change for 2013/14, a further reduction in the discount levels is not recommended. The option to remove the current 100% discount that is awarded to unoccupied and unfurnished properties for a one month period will be considered in future years.
- 4.2. It should be noted that there has been an increase in the number of applications received from customers requesting a discount in respect of uninhabitable properties. The reason for the increase is not clear but this is not expected to have a significant financial impact.

- 4.3. Benefits customers are experiencing a time of significant change. Many are, or will be, undergoing assessment to identify entitlement to new types of national benefit which will change the benefit that they receive and the way in which financial support is paid.
- 4.4. The annual uplift for many social security benefits was limited to 1% for the current year and there are proposals to repeat this restriction in the following two financial years. Many CTR customers are receiving less Housing Benefit following the removal of the spare bedroom subsidy for social housing tenants. The Benefit Cap is currently being introduced and although the number affected within the district is low the impact on individuals is significant.
- 4.5. The new CTR Scheme appears to work well and provides full benefit for those on the lowest incomes and in greatest financial need. The CTR Scheme will need to be amended when UC is fully implemented for Winchester residents. At that time the Scheme will be simpler to administer for all customers as entitlement to CTR could be linked to the elements of UC that customers receive. The detailed timescale for the bulk transfer of HB claims to UC is not known.
- 4.6. Based on the first four months of operation, it seems that the new Scheme can be funded from the income generated by the changes to Council Tax discounts and exemptions and a reduced level of expenditure on CTR. Given the current and future scale of welfare reform it is recommended that the current CTR Scheme continues to be adopted for 2014/15.
- 4.7. It is also recommended that there is a further increase in the weekly earned income disregards to £20.00 for single claimants and £50.00 for other claimants.
- 4.8. The current CTR caseload is 5,766 customers. This can be broken down as follows -

Pensioner	2,988
Working age household with a child under 5 years of age	497
Working age household where someone has a disability	869
Working age household in employment	536
Working age (none of the above)	876

The table below shows the numbers of working age claimants both in and out of work –

<b>Working age caseload 2013 / 2014</b>	<b>In work</b>	<b>Out of work</b>	<b>Total</b>
April	419	2,383	2,802
June	436	2,344	2,780
August	536	2,242	2,778

It is hoped that the trend of working age customers moving into work will continue and that the recommended further increase in earned income disregards in the CTR calculation will encourage more customers to take up work or extra hours.

4.9. It is recommended that –

- the local CTR Scheme for 2014/15 is based on the scheme adopted for 2013/14;
- components in the CTR calculation are increased in line with the increases the DWP & DCLG provide for in the Housing Benefit Regulations 2006 (as amended) and the Council Tax Reduction Scheme (Prescribed Requirements) Regulations 2012 for 2014/15; and
- the income disregards for working age claimants are further increased so that single claimants have the first £20.00 of earned income disregarded and others have the first £50.00 of earned income disregarded.

4.10. It is necessary to present the updated detailed local CTR Scheme for 2014/15 to Council on 8<sup>th</sup> January 2014 as the increases in components used in the CTR calculation will not be available from DWP & DCLG until December 2013.

#### OTHER CONSIDERATIONS:

#### 5. SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

5.1 An *Active Community* is one of the key outcomes of the Community Strategy. One of the key areas of action within that outcome is to *support local people in accessing high quality and affordable housing which meets their needs*. The proposals in this report support that action.

#### 6. RESOURCE IMPLICATIONS

6.1 Under the previous CTB scheme, the Council was reimbursed in full, for the amount of CTB paid out correctly, with the exception of the discretionary War Pensions Scheme. In times of economic difficulty as the amount of benefit the Council paid out increased it was reimbursed by the Government.

6.2 Under the current scheme the Council, together with major precepting authorities, is given a cash specific sum reducing the Council Tax requirement and off-setting the reduction in the Council Tax Base. Any expenditure above the cash limited sum has to be met by the Council and major precepting authorities via the Collection Fund. The Council's share of any surplus or deficit is approximately 13.33%.

6.3 The forecast of income relating to the changes to discounts and exemptions on empty properties was based on current data however trends can change with a subsequent positive or negative impact on the Tax Base. Estimates relating to the cost of the CTR Scheme were based on current caseload and these could increase.

6.4 When Cabinet considered the report in respect of the CTR Scheme in December 2012 the financial implications were forecast based on the estimated shortfall in funding resulting from the cut in government grant for the Scheme together with an adjustment for movement in the number of customers claiming benefit. The figures also included an estimate of income to be raised from changes to Council Tax discounts and exemptions.

6.5 Now that the Scheme and Council Tax changes are in place, estimates have been produced based on the actual value of benefit awarded and the actual impact of the discount and exemption changes. These estimates are based on the first four months of 2013/14 which provides a forecast for the full year.

6.6 The financial implications are forecast as follows -

Financial Implications	Original Estimate		Current Estimate		Variance
	Total	WCC	Total	WCC	WCC
Cost of maintaining existing CTB scheme	788,000	<b>79,000</b>	542,000*	<b>54,000*</b>	(25,000)
Transitional Grant	(126,000)	<b>(13,000)</b>	(126,000)	<b>(13,000)</b>	-
Income raised from changes to Council Tax discounts and exemptions	(942,000)	<b>(82,000)</b>	(1,055,000)	<b>(92,000)</b>	(10,000)
<b>Net cost / (saving)</b>	<b>(280,000)</b>	<b>(16,000)</b>	<b>(639,000)</b>	<b>(51,000)</b>	<b>(35,000)</b>

\*with further increase in income disregard

6.7 The reasons for the variances in the estimates are as follows –

6.7.1 CTR Scheme (£25,000) – an adjustment was made for an increase in earned income disregards and an increase in the number of benefit claimants over the whole financial year. To date the increase in number of benefit

claimants has not occurred but it is possible this may change.

6.7.2 Council Tax changes (£10,000) – the variance relates to the removal of the 6 month exemption for unoccupied and unfurnished properties and replacement with a 100% discount for one month. The current estimate is slightly higher than the original.

6.8 Based on the first four months of operation, it seems that the new Scheme can be funded from the income generated by the changes to Council Tax discounts and exemptions and a reduced level of expenditure on CTR. This means that no additional budget pressure will be created by the fact that the transitional grant was made for 2013/14 only.

6.9 It should be noted that the estimates for the year are projections based on four months operation of the CTR Scheme and Council Tax changes. The discounts changes are new and there is no profiling history available to support forecasting. In addition, the position may change due to an increase in benefit take up or action taken by Council Tax payers to reduce their liability i.e. bringing properties into use.

6.10 The major precepting authorities were consulted last year. They emphasised the view that the Council should try to close the 10% funding gap either directly through the Scheme design or using other methods such as changing existing Council Tax discounts. The Council achieved this by implementing the Council Tax discount and exemption changes.

6.11 Components of the CTR Scheme, as was the case under the national CTB scheme, can be increased each year. In the past these components increased by means of a percentage uplift which was linked to the Consumer Price Index. For the current year the uplift in national benefits was limited to 1% and the Government has indicated that this may be the case for a further two year period. Each year the DWP & DCLG will set the uplift value for the Housing Benefit Scheme and the CTR Pensioner Scheme. The Council could determine not to implement an uplift or could devise its own methodology to calculate the value of the uplift. However, it is recommended that the components of the CTR Scheme are uplifted in line with the national HB & CTR Pensioner scheme. This approach will ensure that the uplift in the Council's CTR Scheme for working age customers remains in line with the HB & CTR Scheme for pensioners and other national benefits.

6.12 The recommended options in this report, allowing for the fact that transitional grant will not be available, are not expected to place any further financial burden on the Council or major precepting authorities.



## 7 RISK MANAGEMENT ISSUES

7.1 Due to the new funding arrangements the Council carries the risk that the cost of any CTR Scheme which exceeds the Government's contribution will need to be borne in part by the Council via the Collection Fund.

7.2 The estimates provided for the year are projections based on the first four months operation of the CTR Scheme and Council Tax changes. The discounts changes are new and there is no profiling history available to support forecasting. In addition, the position may change due to an increase in benefit take up or action taken by Council Tax payers to reduce their liability i.e. bringing properties into use.

### BACKGROUND DOCUMENTS:

None

### APPENDICES:

None