

Report To: Full Council

Date of Meeting: 8th January 2013

Lead Member / Officer: Hugh Irving / Paul McGrady

Report Author: Ken A Jones

Title: Council Tax Reduction Scheme

1. What is the report about?

The adoption of the All Wales Council Tax Reduction Scheme.

2. What is the reason for making this report?

The Welfare Reform Act 2012 contained provisions to abolish council tax benefit in its current form across the UK. From 31 March 2013 council tax benefit will come to an end and the responsibility for providing support for council tax and the funding associated with it, has been passed to the Welsh Government. The Welsh Government, in partnership with local authorities in Wales, has developed a new scheme to provide council tax support which Local Authorities must adopt by 31st January 2013. Within the scheme there are local discretions which are also required to be decided by full council.

3. What are the Recommendations?

That member's adopt the All Wales Council Tax Reduction Scheme and that they consider the 4 discretionary elements of the scheme as shown in section 4.1 and approve accordingly.

(Note: Due to the delay in WG providing guidance to Councils, both the Equality Impact Assessment and formal consultation could not begin until late December. These will not be completed prior to despatch of this report and will therefore either follow as late papers or be tabled. These can then be considered on the day and could affect the decision made.)

4. Report details.

The Proposed Scheme

The current analysis of Council Tax Benefit (Appendix A) shows that in Denbighshire there has been a yearly increase in claimants. 2011/12 audited accounts confirm 10,820 claimants at a cost of £9.04 million. The final settlement included a sum of £8.34m towards the cost of providing the new Council Tax Support Scheme in 2013/14.

In considering the development of a new scheme WG agreed that the new scheme should observe the following parameters:

- Be a single nationally-defined scheme to provide a consistent level of support to claimants across Wales which was set at 90% by the Assembly on 20th December. (This means that anyone who previously paid no Council Tax cannot be billed for more than 10% of the full amount of Council Tax due)
- Provide a small number of discretionary elements, similar to those available under the current CTB scheme, to allow local authorities to respond to their differing local circumstances (provided that the costs of any local variation are locally funded);
- Be based on a reform of the current CTB system, at least in the first year to ensure that the operational risks are managed and that support can continue to be provided after April 2013 given the extremely challenging timetables; and
- Where possible, simplify the existing complex arrangements.

The proposed scheme replicates the current Council Tax Benefit scheme with main exceptions being:

- 2nd adult rebate will be removed (At the moment if you can afford to pay your Council Tax but live with someone on a low income you may be able to receive help with your Council Tax).
- minor amendments to earnings and capital disregards levels
- Maintenance payments will no longer be disregarded
- That to achieve the required budget savings a 10% reduction in Council Tax support payable will be applied.

4.1 Discretionary Elements for Council decision

- a) The ability to increase the standard extended payment period of 4 weeks given to people after they return to work, when they have been in receipt of a relevant qualifying benefit for at least 26 weeks
- b) Discretion to disregard part or the whole amount of War Disablement pensions and War Widows Pensions when calculating income
- c) Discretion to provide more than the minimum information prescribed as part of the notification of decisions procedures.
- d) The ability to backdate the application of Council Tax Support awards for working age customers more than the standard period of 3 months prior to the claim.

5. How does the decision contribute to the Corporate Priorities?

Not Applicable

6. What will it cost and how will it affect other services?

There is an obvious loss of income through the changes to the Council Tax Benefits system. The Council paid out £9.04m in 2011/12. Given the continuing increase in caseload, the forecast expenditure for 2013/14 is around £9.6m. The final settlement included a sum of £8.3m towards the cost of the new scheme. This gives a shortfall of around £1.3m. The Council can only bill residents the equivalent of around £1m due to the 10% maximum that has been included in the legislation. The Council will therefore effectively lose around £300k in income.

The Council has a statutory duty to make reasonable efforts to collect the tax from anyone deemed eligible to pay and will do so. However it is likely some of this £1m will be uncollectable and will therefore cause further pressure on the Council's bad debts provision.

There will be an increase in recovery action, which will require a review of current Revenues staff resource, there will also be a requirement to review Benefit department staff resources. The current Council Tax ICT system has to be upgraded and this has cost £59k.

We are also likely to see increased demands on enquiries to the Benefits Department, debt / financial management and welfare advice centres. The Council has set up a Welfare Reform Group to co-ordinate activities and ensure that residents can obtain the relevant support. As well as all relevant Council departments, the CAB and Benefits Advice Shop are represented.

The WG has made £4.6m available nationally to aid with transitional costs but no details of how to access these funds have yet been released. Additional funding has also been obtained by the Council's Welfare Rights Department to provide additional support.

A corporate Debt Recovery Strategy is being developed to deal with those people who may have multiple debts with the Council such as rent arrears, council tax arrears, benefits overpayments etc.

Regarding the discretionary elements

- a) The ability to increase the standard extended payment period of 4 weeks given to people after they return to work, when they have been in receipt of a relevant qualifying benefit for at least 26 weeks

The amount paid in relation extended payments of 4 weeks in qualifying cases for 2011/12 in respect of Council Tax Benefit was £22,000, to increase the length of time would be proportionate therefore if extended to 6 weeks the cost would be £33,000

- b) Discretion to disregard part or the whole amount of War Disablement pensions and War Widows Pensions when calculating income

The cost of disregarding the War Disablement & War Widows Pensions for 2011/12 in respect of Council Tax Benefit was £17,000.

- c) Discretion to provide more than minimum information prescribed as part of notifications of decisions.

The proposed scheme supports all information required.

- d) The ability to backdate the application of Council Tax Reduction awards for working age customers more than the standard period of 3 months prior to the claim.

The existing Council Tax Benefit regulations allow a maximum backdate of 6 months for a working age customer, and in 2011/12 the amount paid in respect of backdated claims for working age customers was £20,000, it is not possible to calculate the reduction if this is restricted to 3 months.

7. What consultations have been carried out and has an Equality Impact Assessment Screening been undertaken?

The Welsh Government has undertaken an Equality Impact Assessment at a national level on its proposed changes to the Council Tax Benefit system.

It must be recognised that this is a prescribed scheme with the burden being borne by all groups and has been impact assessed at a National level therefore there is no discretion to protect identified groups within Denbighshire. A further assessment of the local scheme has been undertaken and will be available prior to a decision being made by members.

8. What consultations have been carried out with Scrutiny and others?

The Welsh Government has consulted on the main scheme and issued a consultation document, *Providing Support for Council Tax in Wales*, on 6th February 2012

A further technical consultation document was issued on 21st September 2012, on the draft Council Tax Reduction Scheme (Default Scheme) Regulations. The consultation period for this closed on 17th October 2012.

DCC consultation on the discretionary powers closed on 4th January 2013, with responses to the consultation to be reported prior to a decision being made by members.

There have been several member workshops on the issue.

9. Chief Finance Officer Statement

This represents the biggest change to the Council Tax system since its inception. The issues around it have been well rehearsed and it will put further financial pressure on the Council. The full extent of the financial risks will not become clear until well into the next financial year.

10. What risks are there and is there anything we can do to reduce them?

There are significant risks to the Council in implementing the scheme. These have been highlighted to members at various workshops. A risk register is maintained by the Head of Revenues and Benefits.

11. Power to make the Decision

The Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2012

The Council Tax Reduction Scheme (Default Scheme)(Wales) Regulations 2012

Appendix A

11/12 Caseload

Benefit type	Sector	Customers	Value
Council Tax Benefit	Council Tax Benefit	10,820	£9.04 Million

Break Down of Claimants

Claimant type	%
Pensioners	48%
Working Age & Unemployed	35%
Working Age & in Employment	17%

Council Tax Benefit Claims

