

Council Tax Support Scheme

Council

Date: 20th December 2012

Author: Cabinet Member for Finance
Head of Revenues and Benefits

Wards: All

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report seeks approval for a Council Tax Support scheme for Swindon.
- 1.2 The Council Tax Support scheme is being introduced in response to the national changes in Benefit Regulations and as a result of a £2 million reduction in Council Tax Benefit subsidy being paid to the Council by Central Government.
- 1.3 The Council Tax Support scheme is designed to support and protect the most vulnerable.

2. Recommendations

Council is requested to:

- 2.1 Having considered the responses from the public consultation on the draft Council Tax Support Scheme, the proposed scheme for Council Tax Support set out in Appendix 2 of this report be adopted and the Board Director Finance, Revenues, Benefits and Property to implement it from 1st April 2013.

3. Detail

Background

- 3.1 The main aims of the Government's Welfare Reform Act are to ensure that families in work are better off than those on benefits (there is an incentive to work) and that Benefits expenditure is reduced. Council Tax Support is being introduced as part of this.
- 3.2 Currently there is a national scheme for Council Tax Benefits, under which Central Government reimburses Councils in full for the amount of benefit granted.
- 3.3 From 1st April 2013, Central Government is reducing what it pays to Councils by at least 10%. Councils are being asked to develop their own 'support' schemes and to encourage claimants to take work where available.
- 3.4 Pensioners are being protected and so their Council Tax Benefit will continue to be calculated in a similar way. Councils are asked to consider who else should be protected. Council Tax Benefit is to be known in future as Council Tax Support or Council Tax reduction.

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- 3.5 Local schemes must be agreed by 31st January 2013.

Impact on Swindon Council Tax Benefit Subsidy

- 3.6 For Swindon Borough Council and the local Fire and Police Authorities, Council Tax Benefit subsidy is currently £13 million per annum. This is being reduced to approximately £11 million.
- 3.7 The Council has the following options or combination of options to meet this shortfall:
- 3.7.1 Reduce Council Tax Benefit (Support) payments for persons with low incomes and make some changes to empty property discounts;
 - 3.7.2 Increase Council Tax for all residents by 3%. Increases above certain levels trigger referendums and the Coalition Government has indicated that this will be 2% for 2013/14. Also members have to consider that many households have reduced incomes at the current time; or
 - 3.7.3 Make £2 million savings in services, in addition to those already being found.
- 3.8 If the Council introduces a support scheme as a result of the reduction in subsidy, it will ensure the most vulnerable are protected.

Consultation on Council Tax Support Scheme

- 3.9 Before adopting a scheme, the billing authority has to consult major precepting authorities, publish a draft scheme and consult such persons as it considers are likely to have an interest.
- 3.10 A draft scheme was produced and authorised by the Cabinet Member for Finance, and the Fire and Police Authorities were consulted. The Fire Authority responded that the scheme seems reasonable in meeting the objectives set out, i.e. incentivising people back into work, localism and reduced expenditure on welfare, but they were not sure if the proposals protected their precept income. There was also some concern that reductions in support to low income households may have an impact for the Fire Service and requested locality information to mitigate or reduce this. This has been provided and it is believed that the Fire Authority will use this to target community fire safety activity. The Police Authority considered the Swindon Borough Council and Wiltshire Council schemes at the same time and understood and accepted the position taken by both local authorities, noting the difference with regard to Child Benefit being included as an income source for Swindon.
- 3.11 The public consultation ran from 16th August 2012 until 9th November 2012. There were 348 formal responses. These are available for Members inspection. A consultation report is shown in Appendix 1.
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3.12 The key messages from the consultation are as follows:

- 3.12.1 59% of respondents overall agreed that households that contain an individual with disabilities should be protected from the changes.
- 3.12.2 That the majority of respondents (67%) did not believe that other groups should be protected (although 65% of Council Tax Benefit claimants believe other groups should be).
- 3.12.3 The majority of respondents (75% or 260 responses) indicated that the maximum support should be set at 80% or less.
- 3.12.4 175 (50.3%) of respondents agree that the maximum level should be 80%. A further 85 respondents believed that the maximum amount should be lower than 80%.
- 3.12.5 68% of respondents overall indicated that Benefit (Support) for the second adult rebate scheme should be withdrawn. Second adult rebate can be claimed if there is second adult in the property, and that second adult is not the Council Tax payer's partner and is in receipt of a low income.
- 3.12.6 63% of respondents overall stated that child benefit income should be treated as income in the support calculation (although 65% of the claimants who responded did not agree with this).
- 3.12.7 70% of respondents overall agreed that support should be capped at the amount payable equivalent to a Council Tax Band D liability. Under this option support calculations will be based on this liability for persons living in higher banded properties.
- 3.12.8 61% of respondents overall agreed that the capital limit should be reduced to £6,000. Therefore, residents with capital in excess of this level would not be eligible for support.
- 3.12.9 64% of respondents agreed that non-dependent contributions should be increased by £5 per week. Non-dependent deductions are made when there are other adults, not including the Council Taxpayer or their partner, living in the household, and deductions are made from the Council Tax Benefit paid. A further 3.5% of respondents stated that the increase should be higher than £5 per week.
- 3.12.10 Consultation results showed in some cases a marked difference in opinion between those that receive Council Tax Benefits and those that do not.

3.13 Other changes not in the draft scheme, as determined by the Cabinet Member for Finance, but were consulted on included:

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- 3.13.1 Reducing the 'Applicable Amounts' in the calculation. These are levels set by the Government as the minimum amounts that claimants need to cover their basic needs. 71.5% of respondents to the consultation did not wish to see this adopted.
- 3.13.2 Changing the rate at which Council Tax Benefit is withdrawn where a person has income above their applicable amount. Council Tax Benefit is currently withdrawn at a rate of 20p for each additional £1 earned. Any large change could have an impact on the incentive for claimants to take work. 43% of respondents to the consultation believe this amount should increase, 11% believe it should be less and 46% believe it should not be changed.

Vulnerable Groups Considered For Protection

- 3.14 The Department of Communities and Local Government issued guidance on the duties of Local Authorities in relation to Vulnerable Persons and this has been considered together with the anticipated obligations in relation to carers (Care and Support Bill). The proposed scheme protects households where an individual has disabilities, and protects War Disablement Pensioners, War Widows and Widowers. The impacts on families with children have been considered and such families will be adversely impacted. The Council has a duty to prevent homelessness and it is not envisaged that the payment by households of increased Council Tax on its own will cause significant difficulties. However, these changes along with other welfare reforms and reductions in Housing Benefits may result in large increases in expenditure for some households. Discretionary Housing Payments may be available under the current scheme to prevent the most vulnerable with Housing Benefit shortfalls from being made homeless. Carers that live in households with individuals with disabilities will also be protected and many 'live in' carers already receive discounts from Council Tax.

Proposed Council Tax Scheme

- 3.15 The proposed scheme is shown in Appendix 2 and the main changes are summarised below.
- 3.16 The support for pensioner age claimants is prescribed in the regulations and continues as a national scheme.
- 3.17 The Council has discretion to set its own 'Local scheme' for 'working age claimants'. The main elements of the draft and proposed scheme are:
 - 3.17.1 Protect Households where individuals have a disability allowance (see Appendix 2 for a full list), as this group is considered vulnerable and may have difficulties securing employment;

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- 3.17.2 Limit Council Tax Support to 80% of the Council Tax bill. Everyone except those protected (i.e. pensioners, war widows and those with disabilities) will pay at least 20%;
- 3.17.3 Include Child Benefit as an income in the calculation;
- 3.17.4 Claimants with savings above £6,000 will be not be eligible for support;
- 3.17.5 Increase all non-dependant deductions by £5pw;
- 3.17.6 Withdraw the second adult rebate for working age Council Tax payers. Currently second adult rebate of up to 25% can be claimed in cases where there is a second adult residing in the property with a low income (not the Council Tax payer or their partner); and
- 3.17.7 Cap Council Tax Support to that payable in respect of a Band D property.
- 3.18 It has been estimated that if all of these measures are adopted this would reduce expenditure by the following amounts.

	Reduction In Support Expenditure (with 25% non-collection)	Less Amount Protected for Disability Households	Increase In Council Tax Collected	SBC share of Council Tax collected (85%)
Maximum 80% for working Age Claims	£1,215,000	£400,000	£815,000	£692,750
Capping support - Band D	£39,000	£10,000	£29,000	£24,650
End Second Adult Rebate	£34,000	£2,000	£32,000	£27,200
Capital Limit of £6,000	£56,000	£30,000	£26,000	£22,100
Non-dependant deduction increase £5pw	£53,000	£3,000	£50,000	£42,500
Income Disregards - Child Benefit income included	£235,000	£35,000	£200,000	£170,000
Totals	£1,632,000	£480,000	£1,152,000	£979,200

- 3.19 The reduction in Benefit expenditure for the collection fund, which includes income for the fire & police authorities, would be £1,152,000 (Swindon Borough Council's share of this is £979,200). Proposed reductions in Council Tax empty

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exemptions and discounts will make up another £620,000 (£527,000 as Swindon Borough Council's share) of the £2 million reduction in subsidy.

Council Tax Support Voluntary Grant Offer

- 3.20 On the 16th October 2012, the Department for Communities and Local Government issued a new grant to support the Council Tax support scheme. This proposes new centrally imposed requirements that had previously not been known. Councils will be invited to bid for a one off grant to support the transition where:
- 3.20.1 Those who would be on 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their council tax liability;
 - 3.20.2 The taper rate for those with incomes above the applicable amount does not increase above 25%; and
 - 3.20.3 There is no sharp reduction in support for those entering work - for claimants currently entitled to less than 100% support, the taper will be applied to an amount at least equal to their maximum eligible award.
- 3.21 The amount offered to the Swindon collection fund is £318,182 (Swindon B C share £267,892). If the grant was taken and the scheme was altered accordingly, then most of the original options being consulted upon would not be allowed. The grant and reduction in expenditure for 2013/14 would be as follows:

	Reduction In Support Expenditure (with 25% non-collection)	Less Amount Protected for Households with Disabilities	Increase In Council Tax Collected	SBC share of Council Tax collected (85%)
Maximum 91.5% for working Age Claims	£525,000	£150,000	£375,000	£318,750
Capping CTS to Council Tax Band D	Not allowed		0	0
End Second Adult Rebate	£34,000	£2,000	£32,000	£27,200
Capital Limit of £6,000	Not allowed		0	0
Non- dependant deduction increase— Not for those on 100% maximum benefits & "others	£25,000	£2,000	£23,000	£19,550

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must not have to large an increase.”				
Income Disregards - Child Benefit income included	Not allowed		£0	£0
One off Grant			£318,182	£267,892
Totals			£748,182	£633,392

- 3.22 The grant must be applied for before 31st January 2013 and the DCLG will be approving schemes in February 2013. There is a risk that the changes to the non-dependant deductions, which “must not be too large”, and changes to second adult rebate, where the Council Tax payer is in receipt of another discount may not be approved. The DCLG has advised that Local Authorities may find it easier not to change non-dependant deductions.
- 3.23 If the scheme is altered from what is being proposed then between the Council, Fire and Police authorities at least a further £404,000 of savings would be required. Swindon’s share of this would be £346,000.
- 3.24 The fact that it is only a one off grant, which will require changes next year, and that it will only fund a small proportion of the imposed reduction in grant, means that it is not recommended for acceptance.
- 3.25 If the proposed scheme is altered, practitioners have expressed the view that a further public consultation would have to be undertaken.

Council Tax Support Further Assistance, Implications & Collection

- 3.26 If the scheme is adopted the Revenues and Benefits Department is planning to carry out further analysis of the likely collection rates. There is considerable risk that the estimated non-collection rate could be higher than 25%.
- 3.27 A review will be held as to how the authority can assist residents pay Council Tax charges for the first time or pay increased charges. It is a priority to encourage people to pay, rather than having to undertake recovery action, which in addition to increasing the costs of the service would also incur court costs, which may be passed on to the customer. Options may include offering 12 monthly instalments, increasing the use of text reminders prior to paper reminders and summonses, financial management advice for customers, and if recovery action does become necessary, reviewing the level of court costs charged. If court action is undertaken then recovery via attachment to benefits or wages will continue be used in preference to bailiffs.

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- 3.28 It should be noted that some of the individuals having to make payment or increase payments may also be experiencing other reductions in benefits, since other welfare changes are being made in April 2013. These measures include reductions in Housing Benefits, due to the 'occupancy regulations' for Social rented sector tenants and the 'benefit caps' for couples with over £500 per week benefits and individuals receiving over £350 per week. These may make payment of any Council Tax charges more difficult and the Council Tax office will need to take this into account. The Discretionary Housing Payments Fund is available to help the most vulnerable with any reductions in Housing Benefit to pay their rent.

4. Alternative Options

- 4.1 The options available are to amend the scheme and to apply for the grant being offered. This would require some reductions in Council services or increases in Council Tax, which if above 2% would trigger a referendum. If a scheme is not adopted, larger savings from the overall Council budget, or increases in Council Tax will be required.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The adoption or non-adoption of the draft Council Tax Support scheme will have an impact on the finances of the Council. The Council's share of the £2 million reduced benefits subsidy is approximately £1.7 million. The adoption of a draft scheme and the changes to empty discounts and exemptions would mitigate this loss for the authority.

Legal and Human Rights Implications

- 5.2 The Local Government Finance Act 2012 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 enable Local Authorities to set their own local Council Tax Support schemes.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 Impacts on residents have been considered under the Diversity Impact Assessment for Council Tax Support. Implications on staffing will be reviewed with Capita as part of the analysis of collection and recovery planning.

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Council Tax Support is linked to the One Swindon aim of Living Independently, protected from harm, leading healthy lives and making a positive contribution.

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Diversity Impact Assessment

- 5.5 A Diversity Impact Assessment for the Council Tax Support scheme has been undertaken and updated as a result of the consultation process. There are approximately 16,000 households claiming Council Tax Benefit; with 6,000 pensioner claimants and 10,000 working age claimants. It is estimated that 2,500 of the 10,000 working age claimants are households where someone has a disability and approximately 5,000 households have children. Under the proposed scheme households where an individual is in receipt of a disability benefit or premium are being protected. There will be an adverse impact on households with low incomes, particularly families with children. As mentioned above, support to those having to make payments or increased payments will be reviewed. It is a priority to help encourage customers to pay. Options may include offering 12 monthly instalments, increasing the use of text reminders, financial management advice for customers and reviewing the level of court costs charged. If court action is undertaken then recovery via attachment to benefits or wages will continue to be used in preference to bailiffs.

Risk Management

- 5.6 There are a number of risks associated with the adoption of a Council Tax Support scheme. These include the fact that Central Government have not finalised all of the legislation, such as the contracting out regulations, and the creation of software to support the scheme. The adoption of the scheme may also result in an increase in Council Tax debts, have an impact on the collection of other Council incomes and has impacts on the lives of many residents.

6. Consultees

- 6.1 The Board Director Finance, Revenues, Benefits and Property (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None attached.

8. Appendices

- 8.1 Appendix 1 - Consultation summary
8.2 Appendix 2 - Proposed scheme

9. Key Decision/Decision in Forward Plan

- 9.1 The Council Tax Support scheme is designed to help mitigate the loss in Council Tax Benefit and protect the most vulnerable.