



COUNCIL - 29TH JANUARY 2013

SUBJECT: ADOPTION OF A COUNCIL TAX REDUCTION SCHEME

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To explain the UK Government's abolition of Council Tax Benefit and its replacement, with a Council Tax Reduction Scheme (CTRS) that must be adopted by 31st January 2013.
- 1.2 To explain the UK and Welsh Government's policy objectives, the key components of the CTRS, the requirements placed upon the Council, the options for consideration; the consultation outcomes, the funding implications.
- 1.3 To approve a Council Tax Reduction Scheme to commence 1st April 2013.
- 1.4 To update Members on the recent changes made by WG on the 23rd January 2013 to increase the maximum entitlement from 90% to 100% of council tax liability.

2. LINKS TO STRATEGY

- 2.1 The payment of Council Tax Benefit is a key element of the Council's anti-poverty strategy and a significant source of funding.

3. THE REPORT

3.1 Summary

- 3.1.1 Council Tax Benefit is to be replaced in April 2013 by a Council Tax Reduction Scheme.
- 3.1.2 UK Government funding for the scheme will be reduced by approximately 10%, although Welsh Government has agreed to fund this shortfall for 2013/14.
- 3.1.3 The Welsh Government has made regulations to introduce a national scheme on the 19th December 2012 and 23rd January 2013. However the obligation remains upon the Council to adopt a local scheme by 31st January 2013. If the Council fails to adopt a scheme then the default scheme will apply.
- 3.1.4 There were serious financial implications and risks for this Authority, prior to the agreement by WG to fund the 10% funding shortfall on 23rd January 2013. Members need to be aware that the Authority still faces financial risks as any increases in demand during the financial year will need to be funded by the Authority. Also there is still much uncertainty in respect of 2014/15 and beyond. Members will be updated when more information becomes available.
- 3.1.5 There was also a serious threat of increased financial hardship for low income households prior to the amendments on the 23rd January 2013.

- 3.1.6 To reiterate, there is still great uncertainty in respect of the details of a scheme for future years as well as future levels of funding.
- 3.1.7 The summary of the scheme is detailed below, as are the implications upon this authority and its residents.

3.2 UK Government

- 3.2.1 In the 2010 Comprehensive Spending Review, the UK Government announced its intention to localise support for Council Tax from 2013-14. The UK Government says it wants to give local authorities a greater stake in the economic future of the local area and support their wider agenda of enabling economic growth across the UK.
- 3.2.2 The UK Government also announced that funding for this support would be reduced by 10% and moved from a demand-led to a fixed budget basis of funding support for Council Tax payers.
- 3.2.3 On the 31st March 2013 the Welfare Reform Act 2012 abolishes the current Council Tax Benefit (CTB) which provides support to approximately 20,500 Caerphilly County Borough households, of which 15,900 currently are in receipt of full benefit. Responsibility for providing support for Council Tax and the funding associated with it will be passed to local authorities in England, to the Scottish Government in Scotland and to the Welsh Government (WG) in Wales.
- 3.2.4 The administration of CTB is the responsibility of local authorities, but the rules used to determine eligibility and calculate entitlement are set by the UK Government. People in receipt of certain benefits (Income Support, income- related Employment and Support Allowance, income- based Jobseeker's Allowance or the guarantee part of Pension Credit) currently get maximum CTB, subject to any non-dependent deductions. This can be up to 100 per cent of a person's Council Tax bill (known as 'passporting'). Other applicants, for example working people on a low income, may still be able to get help with their Council Tax bill, but the amount of CTB they get may be reduced depending on their income, savings and personal circumstances.

3.3 Development of the CTRS in Wales

- 3.3.1 WG, in partnership with local authorities in Wales, has had to design and implement a new scheme to provide Council Tax Support for the 2013/14 financial year.
- 3.3.2 The WG had some flexibility regarding the design and implementation of the CTRS. The new scheme needed to be viable within the reduced level of funding made available by the UK Government, with support being managed within an annual fixed budget.
- 3.3.3 Therefore amendments to the Local Government Finance Act 1992 (the 'Act') were made to provide Welsh Ministers with executive powers to introduce Council Tax Reduction schemes in Wales.
- 3.3.4 The WG took the early decision to establish a single national framework scheme to provide a consistent level of Council Tax support across Wales, rather than allow each local authority to determine its own local scheme (as is the case in England and Scotland) to avoid what has been termed a 'post-code lottery', where eligibility rules for assistance for particular groups could vary across local authority areas. In considering the development of a new scheme and following consultation and research, Welsh Ministers agreed that, in addition to the constraints above, the new scheme should also have the following design principles:-
- Be a single nationally-defined scheme to provide a consistent level of support to applicants across Wales.
 - To have the ability to limit Council Tax support to a fixed percentage.

- No additional protection would be available for pensioners or other vulnerable groups (For information, WG had initially decided that the Council Tax Help for Pensioners' Scheme should continue for 2013/14 which would provide some level of assistance, however, as a result of the additional funding of CTRS, this is now subject to review).
- The scheme for 2013/14 will be reviewed by the 1st January 2014 for the financial year 2014-15 onwards.

3.3.5 During the design phase of the CTRS and following consultation, WG confirmed that:

- there would be provision for 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 were locally funded).
- The new scheme should be based on a reform of the current CTB system to ensure that the operational risks are managed and that support can continue to be provided after the 1st April 2013 given the extremely challenging timetables.
- Where possible, the existing complex arrangements should be simplified.

3.3.6 A number of options on the way the new scheme could be designed to meet the estimated 10% reduction in funding provided by the UK Government were considered by the WG Cabinet in June 2012. The preferred option selected by WG Cabinet was to reduce the maximum level of support available before entitlement is calculated i.e. the maximum entitlement is now set at 90% of Council Tax liability (compared to 100% in the current CTB scheme). It was also decided that Second Adult Rebate would not be replicated in the new CTRS (this benefit is currently available to people who can afford to pay their Council Tax, but who share their home with someone on a low income who doesn't pay Council Tax themselves).

3.3.7 Regulations set on the 23rd January 2013 have now updated this position for 2013/14. The maximum entitlement has now changed from 90% to 100%.

3.3.8 The new CTRS in Wales is set by regulations made under Schedule 1B of the Local Government Act 1992 (as inserted by the Local Government Finance Act 2012). On 19th December 2012, two sets of regulations were passed by the National Assembly for Wales (NAfW) that detail the operation of CTRS in Wales. These are designed to ensure that all local authorities introduce some form of Council Tax Support-

- The Council Tax Reduction Schemes (Default Scheme) (Wales) Regulations 2012 ('the Default Scheme Regulations')¹ and
- The Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2012 ('the Prescribed Requirements Regulations')².
- The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2013 ('the Prescribed Requirements Regulations (Amendment)')³

The prescribed regulations prescribe the main features of the CTRS to be adopted by all local authorities in Wales, as well as specifying a number of areas of local discretion.

3.3.9 The Prescribed Requirements Regulations include a 'sunset clause' which limits their effect to the 2013/14 financial year only. This is to guarantee that the full scrutiny of the Prescribed Requirements Regulations can be undertaken by Welsh Ministers before bringing forward new regulations by 1st January 2014 for the financial year 2014-15 (and subsequent years). The Default Scheme Regulations do not contain this clause.

3.3.10 Although a national scheme has now been approved, within the Prescribed Requirements Regulations, limited local discretion is given to each local authority to apply additional discretionary elements that are more generous than the national scheme and which provide for additional administrative flexibility. This local discretion remains unchanged after the regulation amendments made by NAfW on the 23rd January 2013. These are:-

- The ability to increase the standard extended reduction period of 4 weeks given to persons who have ceased to receive qualifying benefits after they return to work, where they have previously been receiving a Council Tax reduction that is to end as a result of their return to work.
- The ability to backdate the application of Council Tax reduction for periods longer than the new standard period of 3 months before the claim is made.
- Discretion to disregard more than the statutory weekly amount of £10 of income received in respect of War Disablement Pensions and War Widow's Pensions (disregarded when calculating the income of the applicant).
- Discretion to provide more than the minimum information prescribed in the Prescribed Requirements Regulations when issuing notification of decisions of award of Council Tax reduction.

3.3.11 The Prescribed Requirements Regulations require the Council to adopt a CTRS by January 31st 2013, regardless of whether it applies any of the discretionary elements set out in paragraph 3.3.10 above. If the Council fails to make a scheme, then a default scheme shall apply under the provisions of the Default Scheme Regulations. The Council can only apply discretion if it adopts a scheme under the Prescribed Requirements Regulations.

4. CONSULTATION

4.1 Background

4.1.1 There is no statutory duty imposed on local authorities by Welsh Government, under either set of the regulations, to consult on CTRS adopted for the financial year 2013/14, only for subsequent years if any changes are proposed to be made to the discretionary areas. However consultation was undertaken bearing in mind the following:-

4.1.2 On the basis of legal advice sought by the Welsh Local Government Association, it is clear that although there is no express duty to consult, there is a general duty on the Council to act fairly, which gives rise to an implied duty to consult with those affected by the changes to CTB.

4.1.3 Also the initial reduction in expenditure linked to the introduction of the new CTRS would have and still could have a significant impact from 2014/15 on recipients of CTB/CTRS, dependant on future funding levels. It is not only good practice to provide transparency to those individuals, but fairness requires that they are made aware of how the proposals will affect them and give the opportunity to identify any concerns, as well as to prepare (to the extent possible) for the additional tax they will be required to pay, albeit that since the 23rd January 2013 the latter is now not an issue for 2013/14.

4.1.4 The consultation would satisfy the National Principles of Public Engagement in Wales.

4.2 Methodology

4.2.1 The consultation was undertaken based upon the best information available at the time, even though the regulations had not been passed. The consultation period and the methodology were influenced by the necessity to adopt a scheme by the 31st January 2013.

4.2.2 The consultation commenced on the 15th December 2012 and ended on the 18th January 2013. All various communications streams were used to promote the consultation including:-

- The Council's website.
- Consultation forms available in libraries, Customer First offices and main civic offices.
- The above locations also accepted completed forms.
- Contact Centre assisted with queries and online completion.
- Letters to existing claimants E- Mails were issued to appropriate organisations and elected members.
- Press release.

- 4.2.3 The consultation was available to be completed online or in paper form.
- 4.2.4 Those contacted via E- Mail were provided with a link to the online consultation as well as an electronic version.
- 4.2.5 The elected officers and organisations consulted included:-
- All CCBC councillors.
 - All community councils.
 - Gwent Police Authority.
 - Local MPs & AMs.
 - Voluntary sector sub committee members.
 - Shelter Cymru.
 - C.A.B.
 - G.A.V.O.
 - Charter, United Welsh, Wales and West and Linc – Cymru Housing Associations.
- 4.2.6 The summary of responses is included in Appendix 1, Consultation – Summary of Responses.
- 4.2.7 A letter from the Royal British Legion was also submitted in respect of the discretion available to councils to disregard War Disablement Pension, War Widow's Pension and Armed Forces Compensation Scheme income (Appendix 2).
- 4.2.8 Officers and Members as detailed below have been consulted on this report and their views have been reflected within the report.

5. EQUALITIES IMPLICATIONS

- 5.1 The replacement of Council Tax Benefit with a national support scheme will impact upon many of our low income residents including those in vulnerable groups.
- 5.2 The Welsh Assembly has undertaken a comprehensive Equality Impact Analysis⁴ in respect of the whole Wales scheme for Council Tax Reduction, which accompanied the regulations when they were considered by the NAFW in December 2012.
- 5.3 The Council has undertaken a consultation exercise in the limited time available and allowing for the fact that the regulations had not been passed. The consultation assists the Council in satisfying the public sector equality duty set out in the Equality Act.
- 5.4 A local equalities impact assessment has been carried out by the Council⁵.

6. FINANCIAL IMPLICATIONS

- 6.1 The report to Cabinet on the 11th December 2012 (Appendix 3) outlined the financial risks of non-collection of the increased liabilities to pay. This situation has now changed for 2013/14 based on the additional funding to Local Authorities by WG of £22m, determined on the 23rd January 2013. For 2013/14 the additional growth of £60k for increased staff resource for Council Tax Recovery is now no longer required. A review will be undertaken when the 2012/13 outturn is determined at the end of June 2013, to determine what level of Council Tax surplus can be released as one-off spend on capital schemes.
- 6.2 The Council needs to manage the cost of the new scheme within the fixed budget provided. The amount of support provide by Welsh Government for 2013/14 is £12.426m included in the RSG and final settlement with a further allocation from the £22m of additional funding. These sums are provided on a fixed basis rather than a demand- led basis. The amount of support does not therefore reflect:-

- 6.2.1 Potential increases in demand through increases in the number of claimants. However this is not considered a serious risk for this Authority since the numbers of claimants have not increased significantly over the last few years.
- 6.2.2 Potential increases in the level of awards.
- 6.2.3 Any increase in Council Tax levels that may be applied for 2013/14.
- 6.3 WG have indicated there is national transition funding of £2.6m which will be distributed and made available to Councils to help with the costs of introducing the scheme. The levels of funding for this Authority are yet to be confirmed, but it is proposed to use the funds to meet IT software amendments, publicity, awareness, support and additional administration.
- 6.4 WG initially indicated that it was to continue with a Council Tax Help Pensioners' grant scheme for 2013/14. However, as a result of the additional funding of CTRS, this is now subject to review.
- 6.5 The estimated cost of implementing the discretionary items as recommended in 8.1.4. is £73k. This can be funded from the WG funding and current budget provision of £11k.

7. PERSONNEL IMPLICATIONS

- 7.1 The report to Cabinet on the 11th December 2012 (Appendix 3) outlined some of the personnel implications. An update has been made in paragraph 6.1 due to the recent announcement of an additional £22m of funding from WG.
- 7.2 It will be necessary to monitor the level of resources needed for claimant support and be able to react in both an innovative, timely and effective manner, especially as there is still some uncertainty in respect of arrangements for 2014/15.

8. RECOMMENDATIONS

- 8.1 It is recommended that Members-
 - 8.1.1 Note the making of the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2012 ('the Prescribed Requirements Regulations') by the NAFW on 19th December 2012 as amended on the 23rd January 2013;
 - 8.1.2 Note the outcome of the consultation exercise undertaken by the Council on the introduction of the Council Tax Reduction Scheme.
 - 8.1.3 Adopt the provisions of 'the Prescribed Requirements Regulations', as amended by the 'the Prescribed Requirements Regulations (Amendment)', as the Council's Council Tax Reduction Scheme for 2013/14, subject to the local discretions that the Council is able to exercise as set out below.
 - 8.1.4 Taking into account the responses to the consultation exercise, together with existing arrangements, determine the following as local discretions as provided for within Part 5 of 'the Prescribed Requirements Regulations':-

Discretion	Recommended Discretion to be adopted
<p>The ability to increase the standard extended reduction period of 4 weeks given to persons who have ceased to receive qualifying benefits after they return to work, where they have previously been receiving a Council Tax reduction that is to end as a result of their return to work;</p>	<p><u>Pensioners</u> The standard period of 4 weeks specified in paragraph (33) Schedule 1 will apply, and</p> <p><u>Non- Pensioners:</u> The standard period of 4 weeks specified in paragraph (35) and (40) Schedule 6 will apply.</p>
<p>The ability to backdate the application of Council Tax reduction for periods longer than the new standard period of 3 months before the claim is made;</p>	<p><u>Pensioners:</u> The standard period of 3 months specified in paragraph (3) Schedule 13 will apply, and</p> <p><u>Non-Pensioners:</u> The standard period of 3 months specified in paragraph (4) Schedule 13 will apply.</p>
<p>Discretion to disregard more than the statutory weekly amount of £10 of income received in respect of War Disablement Pensions and War Widow's Pensions (disregarded when calculating the income of the applicant);</p>	<p><u>Pensioners:</u> The total value of any pension specified in paragraphs 1(a) and 1(b) Schedule 4 will be disregarded, and</p> <p><u>Non-Pensioners:</u> The total value of any pension specified in paragraphs 20(a) and 20(b) Schedule 9 will be disregarded.</p>
<p>Discretion to provide more than the minimum information prescribed in the Prescribed Requirements Regulations when issuing notification of decisions of an award of Council Tax Reduction.</p>	<p>To supplement the minimum requirements specified in the Prescribed Requirements Regulations, where appropriate</p>

9. REASONS FOR RECOMMENDATION

- 9.1 The Council is obliged to approve a Council Tax Reduction Scheme under the Prescribed Requirements Regulations by 31st January 2013.

10. STATUTORY POWER

- 10.1 Local Government Act 1992 (Section 13A, Schedule 1B) (as inserted by the Local Government Finance Act 2012)

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Background Papers:

¹Default Regulations

²Prescribed Requirements Regulations

³Prescribed Requirements Regulations (Amendment)

⁴Welsh Government – Council Tax Support in Wales, Equality Impact Assessment

⁵Equality Impact Assessment for Caerphilly

All of the above are available electronically with hard copies in the Members' area

Appendices:

Appendix 1 – Consultation – Summary of Responses

Appendix 2 – Letter from Royal British Legion

Appendix 3 – Report to Cabinet 11th December 2012