

Report to Finance & Performance Management Scrutiny Panel



Date of meeting: 20 September 2011

Portfolio: Finance and Economic Development

Subject: Government Consultation – Localising support for Council Tax in England

Responsible Officer: Janet Twinn (01992–564215).

Democratic Services Officer: Adrian Hendry (01992–564246)

Recommendations/Decisions Required:

- (1) That the report on the proposed changes to Council Tax Benefit is noted; and
- (2) That the proposed responses to the Consultation set out in Appendix 1 be agreed.

Executive Summary:

Following on from announcements made in the 2010 Spending Review, the Department for Communities and Local Government has issued a consultation paper on the proposals to replace Council Tax Benefit in England with a system of 'localised support' administered by local authorities from 2013. The consultation closes on 14 October 2011.

Reasons for Proposed Decision:

Other Options for Action:

The Authority could choose not to respond to the consultation document.

Report:

Introduction

1. At the moment lower income households can qualify through the Council Tax Benefit system to pay either a reduced or a zero amount of Council Tax. In the 2010 Spending Review, the Government announced proposals to localise Council Tax Benefit and to reduce expenditure by 10% but at that time there were no details announced of the replacement scheme.

2. The Department for Communities and Local Government has now issued a consultation paper with more details of the plans for a system of local support for Council Tax. The paper confirms that Council Tax will not form part of the Universal Credit but will remain the responsibility of local authorities. Local authorities will be put in full charge of devising a scheme to provide support to pay the Council Tax but the paper also confirms that local authorities will

need to reduce expenditure on the replacement scheme by 10%. It is assumed that given the other existing budgetary pressures and cuts in grant funding that the Council will seek to achieve the 10% saving rather than fund the local scheme at current levels through growth in the Continuing Services Budget.

3. The Government believes that the new system will simplify the current complex system of criteria and allowances, establish stronger incentives for councils to get people back into work and save the taxpayer up to £480 million a year.

How the proposed new system will work

4. A fixed amount of money will be provided to local authorities by central government to operate a scheme providing support to pay the Council Tax. This will be an amount that is 10% lower than the current expenditure on the Council Tax Benefit scheme. Each local authority will devise their own scheme with its own qualifying criteria.

5. People of pensionable age will be protected against any reduction in support and will continue to have Council Tax Benefit assessed and awarded at existing levels and under the existing rules. This means that the savings will have to be made from claimants of working age and that cuts to working age claimants will be in excess of 10%. Based on current caseload figures, the cut in assistance with the Council Tax for working age claimants in the Epping Forest District will be 20%.

6. These new schemes must be in place by April 2013 and local authorities should be able to make adjustments to their schemes each year to accommodate local change.

Impact on existing Council Tax Benefit caseload in Epping Forest

7. People in receipt of Council Tax Benefit who receive either Guaranteed Pension Credit, Income Support, Job Seekers Allowance (income based) or Employment Support Allowance (income related) currently receive 100% benefit unless there are other adults in the property. These are known as 'passport benefits' and it could be considered that these people are the most vulnerable as they are living on the basic living needs allowance. Based on July 2011 caseload figures, there were 8895 Council Tax Benefit claimants which is broken down as follows:

	Caseload	Weekly average CTB	Weekly expenditure
Elderly (passport)	2858	£21.46	£61,333
Elderly (non-passport)	1582	£16.96	£26,831
Working Age (passport)	3020	£21.33	£64,417
Working Age (non-passport)	1435	£16.62	£23,850
Total	8895		£176,431

8. Passport cases make up 66.1% of the caseload and 71.3% of the expenditure. Elderly cases make up 49.9% of the caseload and 50% of the expenditure. If pensioners are to be protected as well as vulnerable working age claimants, the 10% cut would be restricted to 13.5% of the caseload.

9. The savings that Epping Forest would need to achieve are set out below using the Council Tax Benefit expenditure figures for 2011/12 as at August 2011.

Annual expenditure	£10,337,739
Less 10%	<u>£1,033,774</u>
	£9,303,965
Less pension age (no change allowed) 50% expenditure	<u>£5,168,870</u>
Remainder to be used for working age (including vulnerable)	£4,135,095

10. This equates to an average reduction of £232.00 pa for each working age claimant which includes the vulnerable who are currently living on the basic living needs allowance. If the vulnerable working age claimants were also to be excluded from the cuts, the reduction for the working age non-passported claimants would be an average of £720.00 pa.

11. These figures are assuming that there will be no increase in Council Tax and no increase in caseload. As the caseload has been steadily increasing during recent years, it is likely that the savings required will be greater than currently predicted.

Options for meeting the savings target

12. It is clear that the savings will be difficult to achieve and the likelihood is that some savings will have to be made from people on the passported benefits. The Government has clearly stated that work incentives must be maintained but that will be difficult to achieve if the savings have to be made from working age people in low paid employment.

13. One approach to meet the savings target would be to reduce all payments by 20% across working age claimants. However, those currently on passported benefits do not currently pay any Council Tax so this will result in the authority collecting Council Tax from a group that are used to paying nothing. As this group do not pay anything at the moment because the income that they receive is at the minimum level that it is deemed a person requires, the collection of any sums will be difficult. This will be comparable to the Community Charge between 1990 and 1993 when local authorities had to collect 20% of the Community Charge. This scheme proved complicated to administer and difficult to collect.

14. If it is accepted that the vulnerable working age people receiving the passported benefits should be protected like pensioners, it falls upon the remainder of the working age claimants to pay significantly increased amounts of Council Tax than they currently pay. This group of people will either be working but on low earnings or they do not work but have income from sources other than the passported benefits. It is difficult to envisage how work incentives would be maintained if the total savings has to be met from this group.

15. Another approach could be to remove entitlement from certain groups such as owner occupiers or restrict entitlement to certain tenure types. Such a policy would be controversial and would necessarily affect claimants with children or disabilities. A preferred approach therefore may be to remove Council Tax support from working age people who are not disabled and do not have dependant children. However, a single unemployed person without children or disabilities currently receives £67.50 a week to live on and forcing them to pay Council Tax could reduce their income to just over £53.50 per week. Not only would this reduce their income to below the accepted minimum income levels but collection of Council Tax would be extremely difficult.

16. The Department for Work and Pensions (DWP) lobbied for a Council Tax element to be included in the Universal Credit, in the same way that a Housing element is to be paid. The Government rejected this and have made it clear that the Council Tax support should be the responsibility of local authorities. However, were the Council Tax to be paid within the Universal

Credit, the DWP would not know exactly how much Council Tax people were liable to pay and therefore people may receive a weekly amount different to their liability. The biggest problem however would be that the Universal Credit will be paid directly to claimants and not credited directly to their Council Tax account. This will lead to collection difficulties as people not used to paying anything will have to pay 100% of their liability.

17. A final option is to lobby the government as the envisaged cuts are unacceptable and that the proposed scheme needs to be altered. The consultation paper makes no mention of localising the current scheme of disregards and discounts but these could be incorporated into the scheme. Significant savings could be achieved by abolishing automatic discounts for particular categories and incorporating all support into one comprehensive means tested scheme. Savings could therefore be achieved from people more able to pay rather than just the most vulnerable in society.

Risks of localising support for Council Tax

18. There will be a 10% funding cut. Based on our current Council Tax Benefit expenditure this is estimated to be in the region of £1.033m. This will undoubtedly have a major impact on our current collection rate and there will be increased costs to recover monies from people who have not had to pay Council Tax before.

19. Council Tax Benefit is currently based on actual eligibility and there are no budget constraints placed on people who are eligible under the national scheme. An increase in either the Council Tax liability or an increase in the number of people claiming support for their Council Tax, will result in an increase in administration costs and increased expenditure beyond the budget allocated to the authority.

20. The timescales for implementing a local support scheme for Council Tax do not appear to be achievable. The primary legislation will not be passed until the summer of 2012 following which any scheme will need to be devised, publicised, IT systems developed and for everything to be in place before February 2013 when Council Tax annual billing takes place. An implementation date of April 2014 would be more achievable and would link better with the introduction of Universal Credit.

21. There are currently three major software suppliers of Revenues and Benefits systems. We use Capita's Academy system which has approximately 130 customers using the benefits software. In the proposals, Council Tax support for Pensioners will still be paid under a national scheme whilst local authorities will devise their own individual schemes for working age people. In the timescales given, it is not likely that Capita will be able to provide software to support the national scheme and develop 130 different variations of software for each authority. Not only will this be costly for authorities as development costs will be individual and not spread amongst other authorities, but also any changes to schemes to support local change will also be costly.

22. For many years there has been much criticism of means tested benefit schemes for being too complex. Although the various governments have always pledged to simplify the schemes they have in fact become more complex. The proposed localisation of support for working age people, together with a national scheme for pensioners, will make the support scheme even more complicated. Furthermore, with every local authority devising their own scheme there is the potential for a 'post code lottery'. The Essex Benefit Managers Group has discussed the possibility of Essex authorities working in partnership to devise local support schemes that are the same for more than one authority. However, due to different demographics within the County, it has been concluded that this will be difficult to achieve. Even if the same scheme was devised by neighbouring authorities, it would not reduce any IT development costs. There are other Essex authorities that use the Academy system but only Maldon Council uses the same operating platform. Therefore unless we devised the same

system as Maldon, the burden of the cost of IT development will have to be met solely by us.

23. There are particular issues with two-tier authorities as it is the district authority who will be taking the whole risk of the scheme.

24. Implementing a new scheme with a 10% cut will be challenging because potentially controversial decisions will need to be taken by local authorities about where reductions in entitlement are to be made.

25. For many years the government has encouraged take-up of specifically Council Tax Benefit as they believe that there are many people not claiming the benefit that they are entitled to. There is no incentive for any take-up of support for Council Tax and in fact there is reason to discourage take-up.

26. Appeals against decisions taken on Council Tax Benefit are currently heard by The Tribunal Service. It is unlikely that they will also hear appeals against any decision taken on a local support scheme and therefore an internal appeals process will have to be put into place.

27. As part of Welfare Reform, it is proposed that benefit investigation work will move to a centralised investigation service run by the DWP in April 2013. At present there is little information available about the transfer of staff to the DWP but it is expected that local authorities will no longer have benefit investigation staff. However, the DWP investigation staff will not investigate any potential abuse of a local scheme. Consideration must therefore be given as to how abuse of the local scheme will be tackled.

Resource Implications:

There are no resource implications for commenting on the consultation paper. However, if the Council has to implement a local scheme and seeks to do this without reducing the level of benefit the Council will take on an additional annual cost in excess of £1 million.

Legal and Governance Implications:

No specific implications

Safer, Cleaner and Greener Implications:

No specific implications

Consultation Undertaken:

The consultation paper has been discussed with various groups representing other Essex authorities

Background Papers:

Localising Support for Council Tax in England – Consultation paper published by the Department for Communities and Local Government

Impact Assessments:

Risk Management

The key risks associated with localising support for Council Tax are set out in detail above.

Equality and Diversity

As this is a response to a consultation an Equality Impact Assessment is not relevant. If the Council is required to implement a local scheme an Equality Impact Assessment will be completed as part of that policy setting process.