

PART A

Report to: Budget Panel
Date of meeting: 12 June 2012
Report of: Head of Revenues & Benefits
Title: Localisation of Support for Council Tax

1.0 SUMMARY

- 1.1 This report provides an update on progress in devising a local scheme to provide support to Council Tax payers and outlines the areas in which potential savings may be considered.

2.0 RECOMMENDATIONS

- 2.1 The Budget Panel is asked to consider this report and make recommendations to Cabinet regarding the options detailed at Section 4 of this report..

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3.0 INTRODUCTION

- 3.1.1 The current method of providing support to Council Tax payers, Council Tax Benefit is to be abolished from 1 April 2013 by virtue of Section 33 Welfare Reform Act 2012.
- 3.1.2 This will be replaced by the power given to individual Local Authorities to create their own local scheme to support Council Tax payers as outlined in the Local Government Finance Bill, currently in progress through Parliament
- 3.1.3 This change in support will be underpinned by a 11.48% reduction in funding from the Government for expenditure on Council Tax Support and for Watford the 'target' is estimated to be £794k. At the outset however it needs to be appreciated that WBC will only suffer 16% of this reduction (£127k); with HCC suffering a £588k, and HPA a 10% (£79k) reduction in funding.
- 3.1.4 Herts County Council in particular is extremely concerned that district councils can make decisions (after suitable consultation) but the majority of any shortfall in funding will fall upon the County Council and the services it provides (to Watford residents as well as the rest of the County). It is estimated that should the current benefit scheme not be amended that HCC will suffer a £6.6m funding shortfall across the County as a whole.
- 3.2 A paper was presented to Cabinet on 20 March 2012 and it was agreed (Minute 49) that Budget Panel took the lead to review the work on a County-wide scheme and the development of a scheme for Watford. (The report to Cabinet on 20th March is attached at **Appendix B** as background information).
- 3.3 Two meetings have been held of a Working Party made up of Heads of Service and Section 151 officers at County Hall in which an evaluation of the potential solutions have been considered and are set out in this report.

4.0 ISSUES UNDER CONSIDERATION

- 4.1 The working party, reporting to the Herts Chief Finance Officers Group (HCFO) has identified areas in which Council Tax Support may be limited in order to achieve the savings required by the 11.48% reduction in funding. Figures have been collated County-wide to support decision making and the latest projections will be circulated at the Budget Panel meeting (as they are constantly being revised).

The particular elements are detailed within the next sections of this report.

- 4.2 Reducing the Capital Limit above which an individual will not be entitled to receive support from the current limit of £16,000. One possible aim of the review should be looking to a scheme that offers help for those that need it most. There is an argument that if an individual has capital at their disposal then this should be utilised before any assistance is received through a local benefit scheme. Figures have been gathered at £2,000 incremental levels and potential savings have been detailed at **Appendix A** and are shown as 'per week' figures, (the right hand column at Appendix A are the figures being referred to as they do not reflect those categories likely to be exempt from any changes). So, for example, if the capital limit was reduced by half to £8,000, then the weekly saving is estimated to be circa £587 and would equate to £30,500 in a full year.

4.3 Limiting the maximum level of Council Tax Support to that equivalent to a Band D or Band E Council Tax. Under the current arrangements, there is no incentive for existing claimants to seek smaller, more affordable accommodation. By implementing such a restriction claimants will be encouraged to move to cheaper accommodation. It is estimated at Appendix A that if the cap were set at Band D then the saving would equate to £3,820 per week (£198k in a full year). If however the cap was set at Band E then the annual saving would reduce to £40,500.

4.4.1 Increase the level of non-dependant deductions (deductions from benefit in respect of other adults resident in the property) so that they are double the existing rates. The current CTB scheme provides that where an adult non-dependent (usually a grown-up son or daughter) is living in a property, they are deemed to make a contribution towards the household expenses. This is accounted for in the form of a non-dependent deduction. This deduction is taken from any CTB award and is based on the non-dependent's gross income.

4.4.2 Calculations using the DCLG tool have been based on the deductions for 2011/12 which are as follows:

In receipt of Pension Credit, Income Support, JSA (IB) or ESA (IR)	Nil
Aged 18 or over and in remunerative work	
Gross Income greater than £387.00	£8.60
Gross Income £310.00 – £387.00	£7.20
Gross Income £180.00 – £310.00	£5.70
Gross Income less than £180.00	£2.85
Aged 18 or over and not in remunerative work	£2.85

4.4.3 These deductions represent 2-3% of a person's gross income if in remunerative work (work in excess of 16 hours per week) and amount to 29% of the Council Tax liability based on a Watford Band D property.

4.4.4 To set this in further context an individual with an income of £387.00 per week would be highly unlikely to qualify for Council Tax Benefit in their own right due to the level of their income.

4.4.5 Initial calculations suggest the savings that could be generated by doubling the existing level of non-dependent deductions but keeping the Income bands as shown could equate to £42.5k from this measure (again, line 12 at Appendix A).

4.5.1 Increase the "taper" from 20% to 25% so that the rate at which support reduces is greater if an individual's income is above minimum levels. Under the current scheme, if a claimant has an "excess income" (income above their needs), this results in a 20% reduction in any CTB award for every £1.

4.5.2 A simple, broad brush means of reducing expenditure in a local scheme would be to increase this taper and 25% has been used in the initial calculations at Appendix A. Such a change would result in an annual reduction of £74k.

4.5.3 The disadvantage of this course of action is that it will only affect non-passported cases (cases not in receipt of Income Support, Jobseekers Allowance (Income Based) or Employment Support Allowance (Income Related) and will not encourage individuals to look for work if there is a perception that they will be worse off by working.

- 4.6 In all cases the calculations have been based upon the following scenario:
- a). Only Pensioners are protected from any reduction in Support with the introduction of the new scheme (as suggested by the DCLG)—and reflected at Appendix A, column 1.
 - b). Cases where only Pensioners and households where the youngest child is under 5 are protected (column 2)
 - c). Cases where only Pensioners and households where a member of the family is disabled are protected.(column 3)
 - d). Cases where only Pensioners and households receiving Employment Support Allowance (ESA) (column 4)
 - e). Cases where all of the above are protected (column 5 which has been used to evaluate likely savings).
- 4.7 The rationale for 4.6 is that the DCLG have stated that it is their intention that Pensioners will be protected from the impact of any reduction in the new scheme in addition to “vulnerable” groups. No definition of “vulnerable” has been forthcoming as yet so we have referred to existing duties with regard to Child Poverty and Equality Legislation.
- 4.8 In an attempt to alleviate the impact of any reduction in grant, the Government has made provision in the Local Government Finance Bill to increase the discretion of Local Authorities to reduce the discounts and exemption periods for empty and unoccupied properties.
- 4.9 The Government has indicated that in this area, its intentions are:
- a) to abolish the exemption for property that are undergoing major repairs and replace with a power to award a discount from 0 to 100%.
 - b) to abolish the exemption for property that are empty and unfurnished and replace with a power to award a discount from 0 to 100%.
 - c) to allow authorities to levy up to full Council Tax on second homes. Watford is unique amongst Hertfordshire Districts in that it currently allows a discount of 50% as compared to 10% discount in all other districts.
 - d) to allow an “Empty Home Premium” of 50% (currently 100%, so an additional 50% on top) be levied on empty property that has remained so for two years.
- 4.10 Indicative calculations show that the total expenditure (and therefore the total savings should we take full advantage and allow no discount) are as follows:
- a) £179,000
 - b) £136,000
 - c) £45,336
 - d) has not been costed at this stage

5.0 FINANCIAL IMPLICATIONS

- 5.1 The extent of any financial saving will be dependent ultimately upon the decisions of Watford Council. Section 4 of this report presented a range of options and, clearly, should a review of current discounts take place (as detailed at Paragraphs 4.9 & 4.10) then a full year saving of £360k might be realised. This would be without affecting the Council Tax Benefit Scheme at all.
The Budget Panel are reminded that the target saving (to compensate for loss of Government funding) is estimated to be £794k.
- 5.2 In addition, it is anticipated that there will be a reduction in the Benefits' Administration Grant received by Watford and which is currently £678,000.

6.0 LEGAL IMPLICATIONS

- 6.1 .The head of legal and property Services comments that If no scheme is decided by 31 January 2013, a "default scheme" will be imposed. This default scheme largely replicates the current local council tax benefit scheme.

7.0 CONSULTATION PROCESS

- 7.1 To avoid any legal challenge, before the local scheme is decided upon, the proposals must be submitted for extensive consultation. It is hoped that a provisional 'timetable' can be circulated at the Budget Panel meeting.

8.0 POTENTIAL RISKS

Potential Risk	Likelihood	Impact	Overall Score
That no agreement is reached on a county-wide scheme and that Watford has to devise and implement its own local scheme	3	2	6
That the Software required for a local scheme is not in place in time for the scheme to be fully operational in 2013	4	3	12

9.0 EQUALITIES

- 9.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the equality Act 2010 it is important to demonstrate how policies, practices and decisions impact on people with different protected characteristics. It is also important to demonstrate that the Council is not discriminating unlawfully when carrying out any of its functions. In this instance, it is anticipated that a full Equalities Impact Assessment will be necessary before any scheme can be adopted.