

## Scrutiny Committee Report: Joint Cabinet report



Report of Head of Finance

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To: CABINET

DATE: 6 December 2012

To: SCRUTINY COMMITTEE

DATE: 11 December 2012

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DATE: 7 December 2012

AGENDA ITEM NO  
4

## Council tax reduction scheme

### Recommendation(s)

that Cabinet recommends to Council:

- (a) to adopt the Council Tax Reduction Scheme for 2013/14 outlined in paragraph 8 of the report
- (b) the Head of Finance is authorised to finalise the scheme for 2013/14
- (c) that Oxfordshire authorities continue to work together to develop and introduce a uniform Council Tax Reduction Scheme for 2014/15

### Purpose of Report

1. The purpose of this report is to enable both councils to adopt and implement a new Council Tax Reduction Scheme for the financial year 2013/14

## Strategic Objectives

2. The councils are required by statute to implement a scheme to help those on low incomes to meet their council tax liability. In accordance with the strategic objective “effective management of resources” by introducing the scheme we will achieve the corporate priorities of providing value for money services that meet the need of our residents and service users and, provide equality of access to our services.

## Background

3. Since council tax was introduced in 1993 there has been a scheme of financial assistance called “council tax benefit” which has been available to taxpayers on low incomes to help them meet their council tax liability.
4. The council tax benefit (CTB) scheme is a national benefit, the rules of which are set centrally by the Department for Work and Pensions (DWP). CTB payments made by councils to customers are generally fully subsidised by the DWP. Currently, there are **5,900** CTB customers in the Vale and **6,100** in South. Expenditure for the current year stands at **£5,543,000** and **£5,862,000** respectively.

## Changes from 1 April 2013

5. The Welfare Reform Act 2012 provided for the CTB scheme to be abolished with effect from 31 March 2013 and replaced with local “*council tax reduction schemes*”. The rules and provisions to apply to local council tax reductions schemes are set out in the Local Government Finance Act 2012.
6. The Government has introduced a number of conditions for any council tax reduction scheme (CTRS) which cannot be varied by authorities. These include:
  - current benefit payments will be replaced with awards of discount to reduce the recipient's council tax liability
  - pensioners will be protected (i.e. they should not be worse off under a new scheme)
  - councils should also consider protecting “vulnerable people”, although no definition of “vulnerable” has been given by the Government
  - new funding arrangements will be introduced whereby instead of 100 per cent subsidy being paid to councils administering the scheme, a grant will be paid based on estimated expenditure for 2013/14, less ten per cent. This introduced a new scenario for two-tier council areas as operating a scheme through awards of discounts, coupled with reduced funding, significantly impacts upon the council taxbase and therefore precepting authorities. Because of this, councils are required to consult with major precepting authorities (in our case, Oxfordshire County Council and Thames Valley Police Authority) regarding the new scheme design
  - there must be public consultation about the introduction of a new CTRS, even if it replicates the existing national scheme
  - where a council fails to implement its own CTRS scheme it will be required to adopt the Government's default scheme.

## **New Council Tax Reduction Scheme**

7. When the Government's intention to change the current national CTB scheme in favour of a new local CTRS with the conditions set out above first became known, Oxfordshire leaders agreed (in March 2012) that work should be undertaken to progress a uniform CTRS across Oxfordshire. It was agreed that any new scheme should not disadvantage the low paid and should not act as a disincentive to work. It was further accepted that timescales were tight and there was limited time to introduce complex schemes - consult upon them and amend software; Universal Credit (UC) was being introduced from 2013 and there was uncertainty as to how this would interact with the CTRS.
8. It was therefore agreed between Oxfordshire leaders that for the first year of CTRS (2013/14) a scheme that replicates the current CTB scheme be adopted. This would effectively ensure the Government's condition that pensioners and vulnerable people would be protected. There are some forced variations from the existing scheme which are required – these include:
  - The treatment of Universal Credit (UC) in the CTRS. Because UC incorporates a number of other benefits which were treated differently under the old CTB scheme, there is no simple method of incorporating UC as an income in the CTRS without creating “winners and losers”. The Government has set out regulations for the default scheme, which is likely to be used in our proposed CTRS, subject to the Academy software system being able to process the proposed regulations.
  - From April 2013, the Government is introducing a new benefit to replace Disability Living Allowance called Personal Independence Payment. Disability Living Allowance is currently fully disregarded as an income in the current CTB scheme and it is proposed to fully disregard any payments of Personal Independence Payment as income in CTRS. The award of Disability Living Allowance also gives claimants entitlement to extra premiums in their applicable amount in the CTB scheme. It is also proposed that an award of Personal Independence Payments will also attract these extra premiums for disability in CTRS. The disability premium will be given for any rate of Personal Independence Payment and the enhanced disability premium for the enhanced rate of Personal Independence Payment
  - War Widows and War Disability Pensions. In the present CTB scheme, there is a statutory £10 per week disregard. The regulations allow for a further disregard up to 100 per cent if councils so wish. This amount of this extra disregard is borne by the billing authority alone. In the new CTRS it is proposed to fully disregard these payments in the regulations. This will also have the effect of spreading the costs between the precepting authorities in proportion to their precept. This should lead to a small saving for the councils.

## **Financial Implications**

9. The introduction of a CTRS for 2013/14 without taking account of the Government's ten per cent grant cut places budget pressures on South and Vale, the county council and police and crime commissioner. The Government has been clear that councils have the scope to help manage the impact of the reduction in

the grant funding through “sensible savings”, for example, adjusting scheme parameters, securing efficiency savings and tackling fraud. In addition, the Government is introducing new flexibilities on council tax.

10. The pressure has been slightly eased by the Government’s recently announced additional transitional funding that will allow councils to apply for a modest grant for keeping the effects on claimants to a minimum. As the councils are recommending a “no change” CTRS for 2013/14 they will both be eligible to apply for these modest transitional grants (that are for one year only) which amount to **£15,621** and **£18,153** for Vale and South respectively.
11. In addition to the transitional grants mentioned above, the Government has already provided indicative figures for the main 2013/14 grant. These amount to **£381,000** and **£423,000** for Vale and south respectively. However, these are only provisional figures at the moment and will not be confirmed until the councils receive confirmation of their financial settlements in late December.
12. Based on the estimated CTRS expenditure (on current caseloads) and by deducting the indicative main grant and confirmed one off transitional grants, the estimated costs to the councils in adopting the recommended CTRS scheme will be **£36,600** and **£28,000** for Vale and South respectively in 2013/14. However, caseload has increased by over 15 per cent since 2008. Whilst the increase in new claims is reducing, officers are forecasting an increase in caseload during 2013/14. A two per cent increase in caseload would increase Vale and South’s costs to **£45,300** and **£37,400** respectively. **Appendix 1** sets out the financial implications in greater detail.
13. There will be a transfer of financial risk from the Government to the councils. If take-up of the new CTRS exceeds the Government’s predictions (which the main grant is based upon) and the councils’ predictions, the increased costs will fall upon the collection fund and will therefore be shared between the councils and the major precepting authorities. The financial effects of the scheme will be closely monitored throughout 2013/14 by the Oxfordshire’s councils and major precepting authorities.

## Legal Implications

14. There are a number of pre-requisite legal requirements arising from the introduction of a CTRS from 1 April 2013. As explained above, there is a condition that the new scheme must protect pensioners and consider protecting the vulnerable. District councils must consult with major precepting authorities and there is also a requirement for public consultation on any new scheme. As the recommended scheme is replicating the existing national CTB scheme the first condition is satisfied and, consultation with the major preceptors and the public has already taken place (see below)
15. Any CTRS scheme must be set by full Council and this requirement will be met when the scheme is taken to full council meetings for approval: for Vale on 12 December 2012 and South on 13 December 2012.

## Risks

16. The councils have compiled and are managing a risk register. The main risk is that it is very difficult to gauge demand (take-up) for the CTRS and there could be a consequent increase in expenditure if demand increases. Although the Government is predicting a decrease in demand in 2013/14 (and is basing its grant awards on this prediction), the trend over the last four years has been of steady increase. The councils have built in a modest increase for 2013/14 for working age customers of two per cent, as the CTB take-up for this category of claimant has been steadily increasing during the current financial year.
17. Another significant risk, which the Government has quite rightly identified as a source for potential ongoing savings, is the incidence of fraud. Fraud exists in the current CTB scheme and it is imperative that deterrents are in place to prevent and reduce the ongoing incidence of fraudulent activity. For 2013/14 the councils' existing shared benefit fraud team will continue to investigate both housing benefit and CTRS fraud. However, with the proposed transfer of local authority benefit fraud investigators to a national Single Fraud Investigation Service (SFIS – which will investigate national welfare benefit fraud) possibly from April 2014; it will be necessary to review CTRS counter-fraud arrangements as the SFIS will not have CTRS fraud in its remit. To this end, it has been agreed county-wide that there needs to be an ongoing deterrent to counter CTRS fraud and, future arrangements will be considered on a county-wide basis.

## Other implications

### Consultation

18. As mentioned above, there is a requirement that billing authorities must consult with major precepting authorities and the public when devising a new scheme.
19. The councils have been liaising with the county council and the police authority whilst considering a county-wide CTRS scheme. In addition, a public consultation took place between 24 August 2012 and 5 October 2012. Again, this was a county-wide agreed process with common documentation. As far as Vale and South were concerned, 234 survey responses were received (116 responses for South and 114 for Vale, with four others where the respondents did not specify which district they lived in) with the majority of respondents being in favour of retaining a version of the existing scheme for 2013/14. This was broadly comparable to results from other Oxfordshire districts. These also showed higher proportions of those taking part agreeing with the proposals to maintain a scheme than disagreeing. A summary of the Vale and South survey results can be found at **Appendix 2**.

## Equalities

20. As the CTRS is replicating the existing CTB scheme, no equalities impact assessment is required for the new 2013/14 scheme. However, during the early discussions regarding the development of the scheme, various modelling scenarios and the consequent impacts on benefit recipients were appraised as a matter of course.

## Conclusion

21. In a very short space of time, the councils along with the other districts and major precepting authorities in Oxfordshire, have worked together to introduce a CTRS which will help those on low incomes to meet their council tax liability. In doing so, we have discharged our statutory responsibilities and also ensured that the scheme for 2013/14 will not disadvantage the low paid and, should not act as a disincentive to work, as directed by the respective leaders.
22. The scheme, along with operational costs and the effects of fraudulent activity, will be closely monitored during the year, which will help inform the development of a scheme for 2014/15.

## **Background Papers**

23. None

## Estimated 2013/14 costs of Council Tax Reduction Scheme

Vale of White Horse					
Reduction in taxbase (no increase)	Reduced revenue	Indicative grant	shortfall	One-off grant	Shortfall (B)
3,712.60	£433,223.29	£381,000.00	-£52,223.29	£15,621.00	-£36,602.29
Reduction in taxbase (2% increase)	Reduced revenue	Indicative grant	shortfall	One-off grant	Shortfall (B)
3,787.00	£441,905.03	£381,000.00	-£60,905.03	£15,621.00	-£45,284.03

South Oxfordshire					
Reduction in taxbase (no increase)	Reduced revenue	Indicative grant	shortfall	One-off grant	Shortfall (B)
3,888.80	£469,144.83	£423,000.00	-£46,144.83	£18,153.00	-£27,991.83
Reduction in taxbase (2% increase)	Reduced revenue	Indicative grant	shortfall	One-off grant	Shortfall (B)
3,966.70	£478,542.69	£423,000.00	-£55,542.69	£18,153.00	-£37,389.69



# **Council Tax benefit survey 2012**

## **Summary of results**

### **1. METHODOLOGY**

Oxfordshire's local authorities each asked residents for their views about how Council Tax benefit is provided by district councils next financial year (2013/4). Whilst the questionnaire and background materials were agreed jointly, each district carried out its own exercise. This document outlines the results for South Oxfordshire and the Vale of White Horse. Please note the a full copy of the results, including open ended comments is available at [www.southoxon.gov.uk/haveyoursay](http://www.southoxon.gov.uk/haveyoursay) and [www.whitehorsedc.gov.uk/haveyoursay](http://www.whitehorsedc.gov.uk/haveyoursay)

A postal and online survey was carried out between 24 August and 5 October 2012. The survey was promoted to a sample of residents in both South Oxfordshire and the Vale currently receiving Council Tax benefit, to the general public through press releases and the Council's web site and to organisations with an interest in the topic.

In total, 234 survey responses were received. Of these, 165 were paper responses and 69 were made online. Around half of the responses related to South Oxfordshire (116) and half to the Vale (114).

### **2. PROFILE OF RESPONDENTS**

The profile of those responding was as expected with high levels of older people (47 per cent aged 65+), women (59 per cent), people with disabilities (46 per cent) and White British residents (91 per cent) taking part.

The majority of responses were from people currently in receipt of Council Tax benefit (84 per cent). This can be explained by the fact that in each authority area 500 residents currently receiving benefits were invited by post to take part. People currently receiving the benefit were also more likely to be interested in this topic and therefore take part.

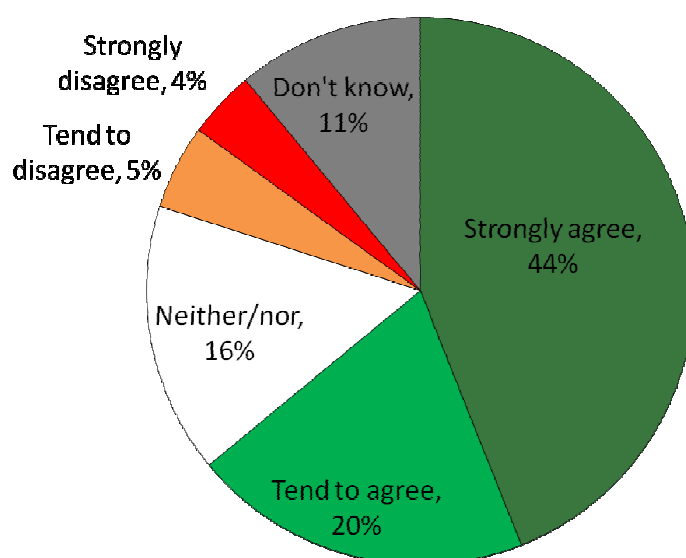
A small number of responses were from other interested parties such as landlords, voluntary organisations and housing associations.



### 3. KEY FINDINGS

Two thirds of those responding (64 per cent) in South Oxfordshire and the Vale agreed with proposals to maintain the scheme, 44 per cent strongly agreeing. Just under 1 in 10 people disagreed whilst higher proportions (16 and 11 per cent) neither agreed or disagreed or replied 'don't know'.

#### Q5. To what extent do you agree or disagree with proposals to maintain a scheme ?



Base: All South and Vale consultees responding

This was broadly comparable to results from other Oxfordshire districts. These also showed higher proportions of those taking part agreeing with the proposals to maintain a scheme than disagreeing:

<b>Q5. To what extent do you agree or disagree with proposals to maintain a scheme?</b>			
	<b>Agree</b>	<b>Disagree</b>	<b>Total no of responses</b>
Cherwell	50%	14%	212
Oxford City	51%	7%	152
South Oxfordshire and Vale of White Horse	64%	9%	234
West	45%	23%	56

Those taking part were asked to what extent they agreed with options to reduce the cost of the scheme.

When comparing results between South Oxfordshire and the Vale of White Horse, whether someone received Council Tax benefit and characteristics such as age, gender and disability there were few differences between

sub groups. The following differences are based on small sample sizes so should be treated with caution:

- Those who do not receive Council Tax benefit (34 people) may be more likely to agree (71 compared to 63 per cent), more likely to disagree (17 compared to 18 per cent) and less likely to say 'don't know' than those receiving the benefit
- Under 45s (41 people) may be more likely to disagree (17 per cent compared to 7 per cent of over 45s)

Reasons for agreeing with the proposal included the following views:

- Need to support vulnerable people (such as disabled, pensioners and people on low incomes)
- Positive personal experience/impact of receiving Council Tax benefit
- Council is protecting local people from national cuts
- People should pay Council Tax in proportion to their ability to pay
- Council Tax is too expensive so people on lower incomes need support

Reasons for disagreeing included:

- Not the Council's role to reduce the impact of national cuts
- State support should be reduced to encourage people to work/contribute more
- The cost of Council Tax benefit will have to be met by working people

Those taking part were asked to what extent they agreed with options to reduce the cost of the scheme.

**Q7. To what extent do you agree or disagree with each of the following ways in which the cost of the scheme could be reduced ?**

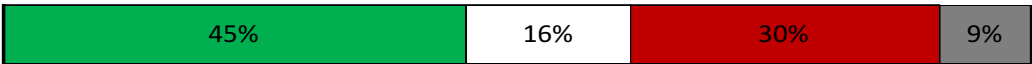
Further reduce the amount of Council Tax Reduction someone gets if there are other adults of working age in the household



Reduce the maximum Council Tax reduction award for properties in higher Council Tax bands



Reduce the amount of savings someone can have and claim Council Tax reduction



Reduce the amount of Council Tax reduction that everyone receives by a fixed percentage



■ Agree □ Neither/nor ■ Disagree ■ Don't know

Base: All South and Vale consultees responding

Agreement was lowest with the option of reducing Council Tax support for everyone by a fixed percentage.

As with overall agreement with the proposals, responses about each of the options to reduce the cost of the scheme were broadly similar across Oxfordshire's districts.

Other views expressed in the survey include:

- Council Tax should be proportional to income not property
- Council Tax paid should reflect the amount of services used, particularly for single-occupants
- Support should be targeted at those who need it based on prior contributions to reduce misuse
- People who have worked hard to save shouldn't be penalised
- Concern about the impact of charging more for properties empty for less than a month on landlords/tenants
- Query whether its practical to get information about other adults in a household
- Where a young person in a household finishes full time education but cannot get work this will already add pressure to household income
- How the Council will fund maintaining the scheme is not clear

A number of comments and the high proportions of people responding 'don't know' indicate many residents found it difficult to understand the issues or felt they didn't have enough information to comment.

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