

**To: Leader and Members of the Executive Board  
(Councillors M Stanley, Hayfield, Humphreys, Moore, Morson, Phillips, Simpson, Smith and Sweet)**

**For the information of other Members of the Council**

**For general enquiries please contact David Harris, Democratic Services Manager, on 01827 719222 or via e-mail - [davidharris@northwarks.gov.uk](mailto:davidharris@northwarks.gov.uk).**

**For enquiries about specific reports please contact the officer named in the reports.**

**The agenda and reports are available in large print and electronic accessible formats if requested.**

## **EXECUTIVE BOARD AGENDA**

**25 JULY 2012**

The Executive Board will meet in the Committee Room at The Council House, South Street, Atherstone, Warwickshire on Wednesday 25 July 2012 at 6.30pm.

### **AGENDA**

- 1 Evacuation Procedure.**
- 2 Apologies for Absence / Members away on official Council business.**
- 3 Disclosable Pecuniary and Non-pecuniary Interests**

- 4 **Minutes of the Meetings of the Board held on 23 April and 25 June 2012** – copies herewith to be agreed as a correct record and signed by the Chairman.

## **PART A – ITEMS FOR DISCUSSION AND DECISION (WHITE PAPERS)**

- 5 **Council Tax Support** - Report of the Assistant Chief Executive (Community Services)

### **Summary**

To consider the Council's options in relation to the Council Tax Support Scheme for 2013/2014.

The Contact Officer for this report is Bob Trahern (719378)

JERRY HUTCHINSON  
Chief Executive

## NORTH WARWICKSHIRE BOROUGH COUNCIL

### MINUTES OF THE EXECUTIVE BOARD

23 April 2012

Present: Councillor M Stanley in the Chair

Councillors Hayfield, Humphreys, May, Moore, Morson, Phillips, Simpson and Sweet.

An apology for absence was received from Councillor Smith (Councillor Humphreys as substitute).

Councillor Pickard was also in attendance.

#### 89 **Declarations of Personal or Prejudicial Interest.**

Any personal interests arising from the membership of Warwickshire County Council of Councillors Hayfield, May and Sweet and membership of the various Town/Parish Councils of Councillors Moore (Baddesley Ensor), Morson (Dordon), Phillips (Kingsbury) and M Stanley (Polesworth) were deemed to be declared at this meeting.

Councillor Hayfield declared a prejudicial interest in Minute No.97 (Partnership Landscapes) by reason of membership of Warwickshire County Council Partnership Landscapes Working Group, left the meeting and took no part in the discussion or voting thereon.

#### 90 **Minutes of the Board held on 6 February 2012**

The minutes of the meeting of the Board held on 6 February 2012, copies having been circulated, were approved as a correct record and signed by the Chairman.

#### 91 **External Auditors' Report**

The Deputy Chief Executive informed Members of the External Auditors' Annual Certification report 2010/11.

#### **Resolved:**

**That the contents of the External Auditors' report be noted.**

#### 92 **Customer Access Strategy 2012-2017**

The Assistant Chief Executive (Community Services) presented the Draft Customer Access Strategy 2012-2017 for consideration, comment and approval.

**Recommended:**

**That the Draft Customer Access Strategy 2012-2017 and associated Action Plan as set out in Appendix A to the report of the Assistant Chief Executive (Community Services), be approved.**

**93 Core Strategy – next steps**

The Assistant Chief Executive and Solicitor to the Council sought the Board's approval for delegated powers to the Local Development Framework Sub-Committee to progress the Core Strategy.

**Recommended:**

**That consideration and approval of the Revised Core Strategy be delegated to the Local Development Framework Sub-Committee.**

**94 Information and Communication Technology Strategy 2012-2015**

The Assistant Director (Corporate Services) presented the Draft Information and Communications Technology (ICT) Strategy for 2012 – 2015 for the Board's approval.

**Recommended:**

**That the Draft Information and Communication Technology Strategy as set out in Appendix A of the report of the Assistant Director (Corporate Services), be approved.**

**95 Armed Forces Community Covenant**

The Deputy Chief Executive sought agreement in principle to the Council being a signatory to an Armed Forces Community Covenant which was being co-ordinated by Warwickshire County Council for the wider Warwickshire area.

**Recommended:**

**That the Council agree in principle to being a signatory to the Armed Forces Community Covenant.**

**96 Proposals for Enhancing the Provision of Mobile CCTV Cameras**

The Chief Executive informed the Board of a recommendation from the Safer Communities Sub-Committee for the Board to recommend that Council provide funding from reserves for additional mobile CCTV cameras.

**Recommended:**

**That £60,000 from reserves be provided to fund an extra provision of mobile CCTV cameras over a three year period 2012/13 to 2014/15.**

**97 Partnership Landscapes**

Members were informed about a consultation on a Partnership Landscape report to be considered by the County Council meeting on 15 May 2012.

**Recommended:**

**That the Chief Executive, in consultation with the Leader and the Opposition Leader, be given delegated powers to respond to the consultation on Partnership Landscapes.**

**98 Minutes of the meeting of the Special Sub-Group held on 23 February 2012**

The minutes of the meeting of the Special Sub-Group held on 23 February 2012 be received and noted.

**99 Notes of the Democratic Arrangement Task and Finish Group held on 13 March 2012.**

The notes of the Democratic Arrangement Task and Finish Group held on 13 March 2012 were received and noted.

**100 Minutes of the Local Development Framework Sub-Committee held on 28 March 2012.**

The minutes of the Local Development Framework Sub-Committee held on 28 March 2012 were received and noted.

**101 Minutes of the Safer Communities Sub-Committee held on 3 April 2012**

The minutes of the Safer Communities Sub-Committee held on 3 April 2012 were received and noted.

M Stanley  
Chairman

## NORTH WARWICKSHIRE BOROUGH COUNCIL

### MINUTES OF THE EXECUTIVE BOARD

25 June 2012

Present: Councillor Sweet in the Chair

Councillors Hayfield, Humphreys, Moore, Morson, Phillips, Smith and Winter

Apologies for absence were received from Councillors Simpson and M Stanley (Councillor Winter substitute)

Councillor Pickard was also in attendance.

#### 1 **Declarations of Personal or Prejudicial Interest.**

Any personal interests arising from the membership of Warwickshire County Council of Councillors Hayfield and Sweet and membership of the various Town/Parish Councils of Councillors Moore (Baddesley Ensor), Morson (Dordon), Phillips (Kingsbury) and Winter (Dordon) were deemed to be declared at this meeting.

#### 2 **Capital Programme – 2011/12 Final Position**

The Assistant Director (Finance and Human Resources) updated Members on the final position of the 2011/12 Capital Programme and highlighted those schemes which had not progressed as quickly as expected and which were recommended to be carried forward into the 2012/13 Capital Programme.

##### **Recommended:**

- a That the level of expenditure incurred (both actual and committed) to the end of March 2012 against the 2011/12 Revised Capital Programme be noted;**
- b That the schemes which have not progressed as expected during the year be noted; and**
- c That both the committed expenditure and schemes which have not progressed during the year be agreed as slippage to be carried forward into the 2012/13 Capital Programme.**

**3 Capital Accounts 2011/12**

The Board was informed that the Capital Accounts for 2011/12 had been prepared. Members were invited to approve the methods of funding used.

**Recommended:**

**That the methods of funding to meet capital expenditure incurred in 2011/12 be approved.**

**4 Earmarked Reserves 2012/13**

The Deputy Chief Executive reported on the level of reserves at 31 March 2012. Members were asked to approve the proposed use of reserves in 2012/13.

**Recommended:**

**That the reserves held at 31 March 2012, and the planned use of reserves in 2012/13 be approved.**

**5 Annual Governance Statement 2011/12**

The Deputy Chief Executive reported on the Annual Governance Statement setting out the arrangements the Council had put in place for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. Members were asked to approve the Statement and Improvement Plan.

**Recommended:**

**a That the Annual Governance Statement for 2011/12, attached as Appendix A to the report of the Deputy Chief Executive be approved; and**

**b That the Improvement Plan, attached as Appendix B to the report be approved and progress against the plan be reported to Board.**

**6 Financial Statements 2011/12**

The Deputy Chief Executive reported on the Annual Financial Statements for 2011/12 and Members were asked to agree a suggested course of action.

**Resolved:**

**That the position on the General Fund and Housing Revenue Account at 31 March 2012 be noted.**

**7 Minimum Revenue Provision Policy Statement**

The Deputy Chief Executive reported on the proposed revised Minimum Revenue Provision Policy Statements for 2011/12 and 2012/13 and Members were asked to agree a suggested course of action.

**Recommended:**

- a That the amended Minimum Revenue Provision Policy Statement for 2011/12, set out in Appendix A to the report of the Deputy Chief Executive, be approved; and**
- b That the amended Minimum Revenue Provision Policy Statement for 2012/13, set out in Appendix B to the report, be approved.**

**8 Treasury Management Strategy Statement and Annual Investment Strategy 2012/13**

The Deputy Chief Executive reported on proposed revisions to the Treasury Management Strategy Statement and Annual Investment Strategy for 2012/13 previously approved by Council, to enable the implementation of the Local Authority Mortgage Scheme.

**Recommended:**

**That any deposit relating to the LAMS scheme is in addition to the investments allowed with the chosen Mortgage Lender under the normal investment criteria and can be for a period of up to 7 years.**

**9 Community Governance Review – Parish of Middleton**

The Chief Executive reported that a request had been received from Middleton Parish Council for an increase in the number of Parish Councillors and the Board was invited to consider whether or not the Borough Council should undertake a Community Governance Review.

**Recommended:**

**That a Community Governance Review of the Parish of Middleton be undertaken and the findings reported to a future meeting of the Board.**



10 **Police and Crime Panels**

The Assistant Chief Executive and Solicitor to the Council informed Members that Police and Crime Panels would be established shortly in the County and sought a recommendation on membership of that Panel.

**Recommended:**

- a. **That the numerical allocation of one seat to each of the Borough/District Councils in Warwickshire and five seats to Warwickshire County Council be agreed; and**
- b. **That this Council's nomination be made from the controlling political group or groups.**

11 **Budgetary Control Report 2012/2013 Period Ended 31 May 2012**

The Assistant Director (Finance and Human Resources) reported on the revenue expenditure and income for the period from 1 April 2012 to 31 May 2012. The 2012/2013 budget and the actual position for the period, compared with the estimate at that date, were given, together with an estimate of the out-turn position for services reporting to the Board.

**Resolved:**

**That the report be noted.**

12 **Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April 2011 to March 2012**

The Chief Executive reported on the progress with the achievement of the Corporate Plan and Performance Indicator targets applicable to Executive Board for April 2011 to March 2012.

**Resolved:**

**That the report be noted.**

13 **Police Reform and Social Responsibility Act 2011**

The Assistant Chief Executive and Solicitor to the Council informed Members about progress with the implementation of the above legislation in amending the provisions of the Licensing Act 2003 and the Board was asked to agree to the necessary amendments to the Constitution.

**Recommended:**

- a That the changes to the Licensing Act 2003 be noted; and
- b That the Constitution of the Council be changed to reflect the delegated powers detailed in paragraphs 3.6 and 3.9 of the Appendix attached to the report Assistant Chief Executive and Solicitor to The Council.

**14 Membership of the Democratic Structures Task and Finish Group.**

The Board was asked to agree the membership of the Democratic Structures Task and Finish Group for the ensuing year.

**Resolved:**

**That for 2012/13 the membership of the Democratic Structures Task and Finish Group comprise Councillors M Stanley, Sweet, Moore, Fox and Smith. Substitutes Councillors Morson, Winter, Hayfield and Lea.**

**15 Minutes of the meeting of the Special Sub-Group held on 23 April and 15 May 2012**

The minutes of the meetings of the Special Sub-Group held on 23 April and 15 May 2012 were received and noted.

**16 Minutes of the meeting of the Local Development Framework Sub-Committee held on 25 April and 17 May 2012**

The minutes of the meetings of the Local Development Framework Sub-Committee held on 25 April and 17 May 2012 were received and noted.

Chairman

## **Agenda Item No 5**

### **Executive Board**

**25 July 2012**

**Report of the Assistant Chief Executive  
(Community Services)**

**Council Tax Benefit Localisation -  
Consultation**

## **1 Summary**

- 1.1 This report provides a detailed overview of the timetable for implementation of a localised Council Tax Support scheme and sets out the overall approach taken to develop a proposed scheme for consultation. The report recommends an initial scheme that we need to consult on to take effect from April 2013.

### **Recommendation to the Executive Board**

- a Agree Option 3 as the basis on which consultation will be undertaken in relation to the Proposed Council Tax Support Scheme to be adopted in 2013/14;**
- b Approve the principle that any reduction in Council Tax Support is passed on as a standard levy as opposed to a percentage cut in benefit entitlement; and**
- c Approve the proposed draft content and methodology to be adopted in respect of consultation to be undertaken between August and October as outlined at Appendices C and D**

## **2 Background**

- 2.1 The Government is reducing the funding of Council Tax Benefit (CTB) by 10%, and transferring the responsibility for the design of the scheme to local authorities, together with transfer of the financial risks. This has to be implemented in time to set the Council Tax base in January 2013, and to be fully operational by April 2013.
- 2.2 This report seeks approval for the preferred Council Tax Reduction Scheme (CTS) upon which to consult, and the format of the consultation itself.
- 2.3 The reduction in funding from government from April 2013 means that difficult choices must be made in order to devise a scheme that delivers the savings and is equitable between all parties, including current CTB claimants, those currently in receipt of Council Tax discounts and exemptions, the major

preceptors (WCC, Warwickshire Police & Towns and Parishes as well as the Council(NWBC).

2.4 In choosing a scheme, there are two major decisions to make. The first decision is

**"Who should meet the costs of the 10% reduction in government grant?"**

2.5 Should it be financed through a reduction in Council Tax support provided to claimants, and/or through reductions in Council Tax discounts, or, alternatively, should it be borne by the Council in whole or part, via a combination of increased Council Tax, use of reserves or a cut in other services?

2.6 The second decision is:

**"If the costs are to fall upon the Council Tax support provided to claimants and reductions in Council Tax discounts; what method do we use to do this?"**

2.7 CTB is a means tested benefit. It is a national scheme, but it is administered by the billing authorities (the district councils in two tier areas). CTB is currently fully funded by the Government, who also provide an administration grant to deliver it. In 2011/12 NWBC paid out £4.564m (subject to final audit) in CTB.

2.8 CTB claimants do not receive the benefit in cash – instead their Council Tax bill is credited with the benefit by either reducing monthly instalments due to be paid or as in the case of two thirds of the current 1,940 working age claimants receiving CTB requires no payment at all as customers are in receipt of what are called “passported benefits” (e.g.) Income Support, Jobseekers Allowance etc.

2.9 From 31 March 2013, the current national CTB scheme will be replaced by a localised CTS scheme, to be devised by each Billing Authority. This change requires legislation, and this is included in the Local Government Finance Bill ("the Bill"), which is currently making its way through Parliament. It is expected to receive royal assent in July 2012, so it has been assumed that the Bill will remain broadly as it is, but this is not certain.

2.10 The impact of any reduction in government grant, any change to the discounts given to Council Tax payers, or change in the collection rates, will have an impact on authorities pro rata to their share of Council Tax. CTB will be renamed CTS and treated as a discount which has an impact on the Council Tax base.

2.11 The average Council Tax for a band D property in NWBC is:

Authority	2012/13 Council Tax £	% inc Towns and Parishes
Warwickshire County Council	1,155.25	72.81
Warwickshire Police	180.98	11.41
North Warwickshire BC	207.30	13.06
Town and Parish Average <sup>1</sup>	43.14	2.72
<b>Total</b>	<b>1,586.67</b>	<b>100.00</b>

2.12 Thus, over 70% of the impact of the proposed changes will be on WCC. In contrast, the Council as the billing authority, will be responsible for administering, designing, approving and taking all decisions on the new CTS (after due consultation), even though it will only bear around 13.06% of the consequences (or 15.78% where the parish precept is added to the borough precept) in terms of sharing any costs of protection or funding any shortfall in collection in the initial year of any scheme adopted.

### 3 Key Elements of the Scheme Changes

3.1 The key elements of the changes due to the introduction of CTS are summarised below.

- Each billing authority has to design and implement its own CTS scheme. Although authorities may work together, due to the very short timescales involved to implement these changes and the differences in pensioner caseload, this has not been possible. There are 300+ billing authorities in the UK, all of who could be asking their ICT suppliers (there are 2 or 3 suppliers who, between them, provide Council Tax systems for most of the councils) for changes to be developed, tested and implemented in time to set the Council Tax base in January 2013 and be operational by April 2013 which does not just present huge challenges in delivering schemes on time but also carries significant risks outlined later in the report and in detail at **Appendix B**.
- The current CTB does not have any direct financial impact on the council. It is a demand led benefit, where government fully refunds the Council for the benefit it has paid out. In contrast, the CTS will be a Council Tax discount based scheme (like single person discounts). This will reduce the taxbase and therefore the collected by NWBC for itself and its preceptors. To compensate them for the lost Council Tax, government will provide a grant, but only at 90% of the cost of current CTB, so we have to bear the 10%, or devise a CTS that delivers the 10% saving.
- The new CTS will continue to be demand led, but with a fixed grant from Government it transfers the risk of any growth in caseload numbers

<sup>1</sup> Towns and Parishes are not major preceptors. They will be affected by the changes in the Council Tax base that the new scheme will generate, but are not direct recipients of government grant to offset the impact.

locally. If the costs of the CTS overrun, it cannot be amended "in year". The overrun costs have to be borne by the Major Preceptors. Conversely, it reduces the cost of the scheme should the caseload fall.

- Because the scheme proposed in this report is not recommending the "status quo", this will mean requesting payment of increased Council Tax liabilities from all working age claimants, many of whom are not accustomed to paying Council Tax, as currently two thirds of them currently receive 100% benefit. This change will most likely result in lower collection rates which will have to be assessed in our future financial projections and the necessary adjustments made to the taxbase.
- The 10% cut in grant is not to be based on current expenditure which we forecast would be in the region of £4.7m in 2012/13 but instead will be based on 90% of the "government forecast" 2013/14 benefit expenditure. This will be the subject of a review in the Autumn, but as the Government is forecasting reductions in unemployment and benefit expenditure, the "forecast" is below budgeted 2012/13 expenditure. In real terms, if all things remain equal, it currently means we are estimating a 13.5% reduction for NWBC before any issue regarding non-collection is reflected as outlined in section 24.7.
- The challenge therefore has been to design a CTS scheme that makes significant savings against current spend, or seek to find the savings from elsewhere, or some mixture of the two.
- Government require that any new scheme must protect pensioners who currently receive CTB. Pensioners account for over 62% of the current claimant base and 63% of the current benefit expenditure. This is higher than the average level of pensioners nationally and increases the proportion of savings that have to come from other claimants compared to other Councils locally. In our case just 38% of those claimants of working age (or currently 1,940 customers). The split of these working age claimants by Council Tax band is as follows

Council Tax Band	Households Impacted
A	942
B	642
C	223
D	84
E	29
F	11
G	9

- The new scheme is also expected (but this is not compulsory) to protect the vulnerable (not defined by government) and not to disproportionately disadvantage those in work currently receiving CTB. This issue is expanded in section 7 but for the reasons given following a comprehensive impact assessment exercise, it is not proposed to make a

case to protect any individuals or households for the reasons stated later in this report.

- NWBC faces an estimated financial pressure, currently circa £103,000 if it does not make the required changes. Growth in claimant numbers, levels of non-collection and changes in government projections could increase this pressure further. The pressure on the preceptors (i.e.) WCC and the Police would be £547,000 in North Warwickshire alone, ignoring any other decisions across the County should the Council seek to make up the shortfall and protect current CTB award levels.
- Towns and Parishes are not major preceptors. They will see a reduction in their tax base. Towns and Parishes have the freedom to increase their precept to offset their losses, or to absorb the pressure themselves but further information is expected on their treatment in the Autumn.
- To assist Councils, the Government is proposing greater freedom to determine the level of certain Council Tax discounts and exemptions from April 2013. These provide councils with additional options for increasing the Council Tax base to mitigate the impact of the reduction in Government grant. In designing the proposed CTS, it has been assumed that the legislation enabling these changes will be implemented as proposed. Due to the level of potential cuts necessary, it is deemed the Council has little option but to seek to utilise some or all of these possible changes to raise new income.
- The main changes are outlined in a supporting paper to this document at Appendix A. It is estimated that more than half of the required savings could be achieved by changing current Council Tax charging policies in respect of these properties, meaning that the proposed cuts in CTB necessary can be reduced to more acceptable but still challenging levels.

## 4 **Scheme Design Principles**

4.1 The design of a local scheme therefore has needed to address the following questions:

- Should the precepting authorities or claimants stand the cost of the grant reduction?
- If claimants, are there any groups that should be protected?
- If so, who should pay for the protected groups?

4.2 As a minimum, and if the new CTS scheme was to be fully funded by the current recipients of CTB, it is estimated that this would require a benefit cut of 37% from all working age claimants to reflect the projected 13.5% cut based on the Office of Budget Responsibilities projections. This assumes 100% collection. As the Council will not be able to change schemes partway through a billing year, or ration support, a small provision has also been included in these figures to cover an increase in caseload, make some provision for write offs and/or a decreased collection rate in 2013/14 although this could be

insufficient. For a current passported recipient of CTB living in a Band D property who currently pays nothing, this would result in a new bill of approximately £587 per year (or £11.29 per week).

- 4.3 Of the 1,940 claims, 1,157 are called “passported claims” (i.e.) in receipt of income support, Job Seekers Allowance or Employment Support Allowance meaning that their Council Tax liability (and rent if council, housing association or private tenants) is usually covered fully by Council Tax and Housing Benefit. Working people who are in receipt of low wages make up the remaining 783 claims. This poses a number of new and significant challenges in terms of collection of these charges, if adopted, as these will be the responsibility of the Council as the Billing Authority to administer and fund.
- 4.4 The issue of what is the fairest way to pass on any cut that takes account of circumstances, ability to pay and ease of collection has been a key consideration for officers in designing potential schemes. This has involved considering the alternatives of passing the cut on as a straight percentage cut in benefit entitlement or alternatively, passing it on as a standard levy that is paid by all, irrespective of their circumstances or the size of property they occupy.

## 5 **Implications of Adopting a Straight Percentage Cut**

- This approach would mean that all current recipients would remain in receipt of benefit irrespective of how small the current award is.
- Those receiving higher levels of benefit will lose the most, disadvantaging those most reliant on benefit.
- There are likely to be greater collection issues using this approach.

## 6 **Implications of Adopting a Standard Levy**

- Under the proposed recommended levy scheme, 30 of the 1,940 current recipients of CTB would no longer be eligible for support as their annual awards are less than £133 in total. All these will be claims where people are in low paid employment. Increasing this amount should Members seek a higher cut than 15% would impact on taking more people out of CTS entitlement.
- For the single occupants of Band A properties (approximately 60 to 70), they will pay in the region of £20 to £30 more under the levy scheme.
- The majority of claimants would be better off under this approach (meaning they will have a lower Council Tax liability) particularly those in larger households
- In general terms, it protects the most vulnerable



- It should be easier to collect as the amounts will be lower by setting a maximum amount of cut (currently proposed at £2.55 based on a 15% cut). If the levy is not paid voluntarily it should be more realistic to collect this by way of an attachment of the persons ongoing benefit. This is possible once court action has been taken meaning non-collection should be less of an issue under this approach.
- It will be a simpler scheme to communicate as part of the consultation process and be easier for customers to understand

6.1 For the reasons stated above, it is recommended that if Members agree to pass on a cut in CTS as recommended, that the benefit cut be passed on as a standard levy and not a percentage cut.

## 7 Other Benefit Change Options Considered

7.1 In designing a CTS scheme, Councils will no longer be constrained by the current benefit legislation rules. This enables a Council to review the current benefit system to assist in reducing or eliminating certain types of claims or changing some of the existing rules under which benefits are calculated to deliver savings. Some examples of options that have been modelled include the following;

7.1.1 **Restricting a Benefit Award by Band** - This gives an incentive for claimants in high banded properties to move to a more affordable property albeit many live in larger properties as they have greater need e.g. larger families. However, this achieves only relatively small savings and will create bigger problems in collecting monies from those affected. It would also not be feasible if a standard levy was to be adopted as opposed to a percentage cut. Savings achieved by restricting the award of Council Tax Support to a maximum band are outlined in the Table below.

Restriction to band	Savings £,000
B	76
C	40
D	22

7.2 **Other areas of the scheme considered have included;**

7.2.1 **Increasing non dependent deductions for working age and non working claimants** which would only deliver a small saving of **£6,000**. Under the current CTB scheme a deduction is made for any adult over the age of 18 who is not the claimant's partner or who is not living with the claimant on a commercial basis (i.e. joint tenant). These are called non-dependants and can include an adult son or daughter, friend etc. For each non-dependent in the household a deduction is made depending on their income as it is assumed that the non-dependent is contributing to the household including their share of Council Tax. By retaining the existing non-dependent deductions that have been subject of significant uprating in recent years, this ensures that all members of a

household continue to make appropriate and realistic contributions and should ensure we keep families together.

7.3 **No longer disregarding Child Benefit or Disabled Premiums and instead counting them as income** : Whilst this would deliver significant savings, it would also have a major impact on the level of benefit awards to those claimants with children, or where a disabled person lives in the property. Whilst a case could be made for protecting these individuals from any cuts as a vulnerable person (see overleaf), the cuts on those remaining to pay would be even more significant than currently proposed. Therefore by continuing to agree to disregard these premiums, in effect this recognises the greater need and living costs of these individuals but falls short of protecting them.

7.4 **Adjusting work incentive tapers:** Under the current CTB scheme the first £5 of a single claimant's earnings, £10 of a couple's earnings and £25 of a single parent's earnings are ignored when calculating their weekly income. These are called earnings disregards. We did consider removing these tapers but to do so would have disincentivised work so we propose that these should be retained as earnings disregards in calculating entitlement.

7.4.1 In addition to this we propose that when a claimant or their partner move into work we will continue to pay their CTS at their existing rate for a period of four weeks whilst they settle into work to again incentivise work.

8 **The only saving that we propose should be implemented is to remove Second Adult Rebate.** Under the current CTB scheme where the claimants own income is too high to receive CTB and they have another adult living in the property whose income is low, they can make a claim for Second Adult Rebate and receive a discount of up to 25 per cent. This would save **£5,745** based on 2012/13 expenditure.

8.1 It can be seen that officers are of the view that the current system has many merits in recognising an individuals circumstances and ability to pay and therefore no case for protecting any specific group from the impact of a reduction in Council Tax Support as required to be considered as part of proposing a new scheme can be made. This conclusion is based on the current benefits calculation being a means tested assessment that reflects circumstances and the assessment takes into consideration an individuals' needs in disregarding certain income in the calculation of benefit awards. As stated as examples, for claims where children are involved we already disregard Child Benefit and for claims where people are disabled all income paid in respect of these needs is again disregarded thus their greater needs are reflected in the current CTB scheme on which we will continue to base CTS decisions.

8.2 The likelihood is that whilst there may be pressure to consider groups as part of undertaking consultation, greater classifications of persons deemed vulnerable will lead to more work in administering and validating entitlement for the Council whilst at the same time increasing the burden on the non-protected claimants. The table below indicates the level of current claimant

numbers we know have a characteristic that may suggest an element of protection should be considered but we do have concerns over the quality of data available around the make-up of passported claims in payment, so the data in the table may be understated.

Description	Working Age Caseload
Any children in family	831
Carer	157
Child under 5	426
Disabled child	54
Enhanced disability	128
ESA (Support)	27
ESA (Work Related Activity)	55
ESA IR	225
Severe disability	96

8.3 At this stage and based on the extracted data, whilst a case could be made for all groups, it is recommended not to make a case for any group to be protected.

8.4 It is clear from the considerable work and discussions undertaken to date that the only way to achieve the target, within the timescales set by the DCLG and without low level change to almost every aspect of the benefit scheme, is to simply restrict entitlement to a maximum percentage for all working age claimants and pass the saving needed as a standard levy as concluded by the options appraisal outlined overleaf.

## 9 Technical Council Tax Reforms to Discounts and Exemptions

9.1 The Local Government Finance Bill proposes giving councils more flexibility over certain discounts and exemptions to raise additional income.

9.2 In order to help offset the proposed benefit cuts there is scope in reducing the level of current Council Tax discounts and exemptions granted to certain types of dwelling.

9.3 There is currently still a potential question mark over the links with the New Homes Bonus that may nullify any proposed savings detailed below but we await clarification of the current advice from Government that this will have no impact on the Councils ability to earn rewards under this scheme by adopting these changes.

9.4 Once again, the benefits of this additional income will be shared in proportion to precepts levied and the administrative burden will lie with us as the Billing Authority. It will mean that the additional workload will fall fully onto the Council to deal with the administration and challenges that will result from

... implementing the changes which are explained in full in the document attached at **Appendix A**.

9.5 The proposed new income that can be raised is not certain due to the likelihood that implementing such changes may influence different behavioural patterns and potential taxpayers seeking ways of avoiding the new charges. It may also impact on collection levels and any shortfall would be shared in proportion to the precept levied.

9.6 If the proposals are accepted there will be an increase in the taxbase of the Borough, which will generate additional revenue for all preceptors. We have indicated that this could potentially increase income by between £463,000 and £513,000, split as follows;

<b>Precepting Authority</b>	<b>Estimated Benefit (£'000)</b>
Warwickshire County Council	341 – 373
Warwickshire Police	53 – 59
NWBC and Parishes	70 – 81

## 10 **Evaluation of the Options**

10.1 The key decision to be made by Members as part of this report is who should bear the cut in government grant? The options are:

- (1) The Council(and preceptors) should bear the assumed 10% loss for the first year only through service reductions, use of reserves and / or Council Tax increases
- (2) The savings should be made by reductions to benefit only
- (3) The savings should be made by reductions to benefit and discounts.
- (4) The savings should be made by a combination of part protection for the benefit element and reductions in discounts

## 11 **Evaluation of Options**

11.1 The evaluation below considers options 1 – 4. Based on these options, Option 3 is the recommended option with a recommendation that any cut should be passed on as a standard levy and not a percentage cut.

## 12 **Option 1 - The Council (and preceptors) should bear the full cost of the grant cut for the first year only**

12.1 This would mean continuing the current scheme for one year only, while alternative schemes are investigated, and introduced from April 2014.

12.2 This is the easiest option to implement, since it would mean continuing the current scheme. No software changes or significant administrative changes are required, but it does have significant financial implications. Based on the information currently available it is estimated that the Council would need to

find £103k to fund the shortfall. These savings would be required against a background of:

- Existing budget gaps for the Council already estimated at £532k for 2013/14, a further £410k for 2014/15 and a further £300k for 2015/16.
- Reductions in Revenue Support Grant from Government
- The potential costs to the Council of localisation of Business Rates

12.3 The Council's ability to raise additional Council Tax to meet this cost is constrained, and alternative income streams are limited. This pressure, in addition to those already identified above, would mainly have to be met by cost / service reductions and savings.

12.4 The level of potential growth in claimant levels is a significant financial risk for this option. Whilst the Council Tax benefit caseload has remained relatively static since 2010, this trend could change and further increases would require even greater savings elsewhere.

12.5 The major preceptors have also advised that they are unable or unwilling to absorb these costs in 2013/14 as budgets have already been agreed.

12.6 Since the new CTS will have to be introduced at some point, this option could only be recommended if there is a significant overall benefit in delaying the introduction.

**13 The main advantages of delay are:**

- More time for software changes to be delivered, and administrative changes to be made
- More time for benefit claimants to prepare for the change at a time when many are being hit by other welfare changes that have or are in the process of being implemented.
- An ability to design a scheme with the full knowledge of the impact of the new Universal Credit and information on available Central Funding which remains uncertain.

**14 The main disadvantages of delay are:**

- We could be blamed for the impact of the change. If implemented immediately the changes would be explained on a Government proposal that we have to implement. This could cause problems in justifying this to benefit customers if delayed until 2014/15.
- All preceptors have advised that they are unable to absorb the costs. They would not support this option and it could give rise to a difficult political environment.
- The adverse impact on the Councils budget would need to be addressed.

15 **Option 2 - The savings should be made by reductions to benefit only**

15.1 This option means that the savings will be made by reducing benefits to working age claimants which due to the level of pensioners in the Borough would be significant

15.2 As outlined in the options paper this is likely to require a reduction in benefits of at least 37% to achieve the £649,000 required.

15.3 If this cut was passed onto benefit customers this would require a cut in benefit resulting in bills in the region of £420 - £560 per year (or £8 - £10 per week) for those living in Band A to C properties. These figures assume 100% collection.

15.4 It is likely that non-collection will be a major issue due to customers circumstances and the level of bills to be paid and this could result in hardship and significant levels of non payment and write offs. Any write off would be picked up as a cost by each precepting authority in proportion.

15.5 If for example, the Council only collected 50% of the monies, this would cost each precepting authority to pay as follows:

- NWBC £51,206
- WCC £236,269
- Police £37,025

16 **The disadvantages of this option are:**

- it requires ICT and administrative changes to be implemented by April 2013 which will be particularly challenging;
- it provides less time for benefit claimants to adjust;
- it will create significantly more work for officers and increase the likelihood of hardship in the local economy
- the potential 37% Council Tax charges for CTS claimants is a massive increase for a group of people, many of whom have not had to pay Council Tax before.
- Collection rates will fall and it is likely to require significant interventions by officers to collect. Deductions from ongoing benefit even when possible will be insufficient to clear significant elements of the liability leaving the Council will considerable difficulties deciding how and if to collect from “can’t pays” as opposed to “won’t pays”.
- the proposal does not give any protection to the vulnerable and those in work;

- the administration cost to us as the District will be disproportionately high in pursuing high and difficult debts.

17 **The advantages of this option are that:**

- it makes the required savings for the Council and the preceptors.
- it achieves the Governments expectations;
- it is likely to be supported by the preceptors.

18 **Option 3 - The savings should be made by reductions to benefit and discounts**

18.1 This option means that the savings will be made by a combination of reducing existing discounts (empty homes, second homes etc) and reductions in benefit to working age claimants. The level of discounts and exemptions awarded will determine what reductions in benefit would need passing onto benefit customers.

18.2 The possible position if all savings from Discount and Exemptions is taken at £513,000 (as outlined at **Appendix A**), this would leave a shortfall assuming 100% collection of £136,000 to be found from benefit deductions. If this cut was passed onto benefit customers, that would require a cut in benefit of 7% or if passed on as a levy approximately £70 per year (£1.35 per week).

18.3 A more prudent position is that if all savings from Discount and Exemptions are taken at £468,000, removing levying the empty property premium due to the ease of avoidance if charged by asking it to be treated as a second home, this would leave a shortfall assuming 100% collection of £181,000. If this cut was passed onto benefit customers, this would require a cut in benefit of 9% or if passed on as a levy approximately £90 per year (£1.74 per week).

18.4 Assuming a level of write off will be experienced and with uncertainty over the ability to easily bill and collect the discount and exemption changes, it is proposed that the cut in benefit should be the equivalent of 15% (or £2.55 per week). If all monies were successfully collected, this would deliver a surplus of approximately £60,000 and ensure the Council was not in deficit if projections on claimant numbers were insufficient.

18.5 Members may wish to provide a range of deductions as part of the consultation process to indicate that the benefit cut will be in the range of 15% to 20% (or £3.40 per week) which would be dependent on the outcome of the clarification around the charging policies in relation to the various discounts and exemptions we are proposing to amend.

18.6 If surpluses were achieved, this may make it possible for future years benefit reductions to be reassessed and potentially reduced.

19 **The disadvantages of this option are:**

- it requires ICT and administrative changes to be implemented by April 2013 which will be very challenging;
- it provides less time for benefit claimants to adjust;
- it will create significantly more work for officers and increase the likelihood of hardship in the local economy
- the 15% to 20% proposed Council Tax charges for CTS claimants are still a significant bill for a group of people, of whom two thirds do not currently pay Council Tax but could in the main be recovered by attaching ongoing benefit payments due to the lower amounts involved than in Option 2.
- the proposal does not offer additional protection to the vulnerable and those in work;
- the administration cost to us as the District will be higher than at present
- avoidance tactics with regard to payment of removed discounts and exemptions are likely and will need challenging and justifying.

20 **The advantages of this option are that:**

- it makes the required savings for the Council and the preceptors.
- it achieves the Governments expectations;
- the savings will be generated by a combination of reduced CTS and reduced discounts, mitigating the impact on CTS claimants.
- The greater reductions in empty homes discounts reduces the impact on CTS customers and discourages empty houses
- The lower Council Tax Bills for CTS customers should ensure a better collection rate and a lower number of hardship cases.
- it is likely to be supported by the preceptors.

21 **Option 4 - The savings should be made by reductions to discounts and benefit customers protected**

21.1 This option means that the savings will be made by reducing existing discounts (empty homes, second homes etc) but the Council and other preceptors will make up the shortfall. The level of discounts and exemptions awarded will determine what monies would need to be paid by precepting Councils.

21.2 The possible position if all Discounts and Exemptions are reduced is £513,000. This would leave a shortfall assuming 100% collection of £136,000. If taken as the lower projected figure for the reasons as explained in



paragraph **18.3**, this would leave a shortfall assuming 100% collection of £181,000.

21.3 If this cut was not passed onto benefit customers that would require each precepting authority to pay between:

- NWBC £21,461 (based on £136k) to £28,562 (based on £181k)
- WCC £99,022 to £131,786
- Police £15,517 to £20,652

21.4 Whilst collection rates may fall slightly it is expected that this approach would more likely achieve a lower level of write off and recovery issues than collecting monies from benefit customers.

21.4.1 The disadvantages of this option are:

- it does not make the required savings for the Council and the preceptors meaning they must contribute to the savings total. However, this proposed approach means that the costs are relatively manageable in the short term and for the District, is likely to be no more costly than collecting more difficult bills. However in the medium to long term the position to protect is not sustainable.
- the Council could be blamed for the impact of the change. If implemented immediately the changes would be explained on a Government proposal that we have to implement. This could cause problems in justifying this to benefit customers.
- it will pass on all the cuts/reductions to non benefit related customers which could cause animosity
- it does not meet the Governments expectations and it could lead to increased costs in future years if the benefit bill grows or Council Tax is restricted.
- it is likely to be resisted by preceptors.
- avoidance tactics with regard to payment of removed discounts and exemptions are likely and will need challenging and justifying.

21.4.2 The advantages of this option are that:

- it provides more time for benefit claimants to adjust their circumstances;
- the proposal does provide protection to the vulnerable and those in low paid work;

- the savings will be generated by a combination of increased savings from other services and reduced discounts, removing the impact on CTS claimants.
- The greater reductions in empty homes discounts reduces the impact on CTS customers and discourages empty houses
- The administration costs of the scheme for the Council are less than Options 2 and 3.

## 22 The Timetable

22.1 The importance of making a clear recommendation on Members preferred option by the end of July is important to ensure that the Council can meet the very demanding timetable that requires it to enter into a public consultation on its proposed scheme. It is clear that the consultation needs to be on a preferred scheme and not a list of a number of possible options.

22.2 The planned outline timetable is:

- Mid August to mid October – proposed scheme out to consultation
- November – Resources Board consider responses from consultation and recommend a local scheme to Full Council
- December – Council approves the new scheme
- December / January – set Council Tax base and inform preceptors
- December to March – set up systems and processes, test software, notify claimants
- February – set budget for 2013/14
- April – introduce local scheme

22.3 If the Council does not implement a local scheme in time, then a Government determined default scheme would apply, which very much mirrors the current Council Tax benefit scheme where annual expenditure would be substantially above the Government grant received. In such circumstances, the difference will be borne by the billing and major precepting Councils in proportion to their shares of Council Tax.

## 23 Consultation Documents

... 23.1 The approach to the consultation is set out in **Appendix C**.

23.2 It is proposed to keep the consultation to Council Tax payers and claimants of CTB as simple as possible. They will be sent a copy of the consultation documents and a questionnaire. An initial draft of a proposed document is provided at **Appendix D** but this will be subject of further discussions and amendments before it is issued in mid August.

...

23.3 The consultation with the major preceptors has already started with officers but WCC and Warwickshire Police will be given further opportunity to comment in advance of the preferred option being released to the wider general public and interest groups. To date, they have indicated that they are unable to contribute towards any administrative costs that can be attributed to running the scheme in terms of staffing or other charges connected with collecting monies in 2013/14 but may review this position for 2014/15. They have also indicated that they are reluctant to pay towards any shortfall between grant and discounts awarded, if Option 4 was the preferred option.

23.4 The fact that the recommended option recognises their position should mean that they are supportive of the proposed scheme outlined in this report.

## 24 **Report Implications**

### 24.1 **Finance and Value for Money Implications**

24.1.1 The consultation will use existing staffing resources and any additional costs of undertaking the exercise will be funded from the new burdens grant provided for this purpose by the Government.

24.1.2 The financial implications of the new CTS in respect of the preferred scheme at Option 3, fall into the following main areas:

- The Council Tax Base
- Budgeted Saving Required
- Increases in caseload;
- Costs of implementing the new CTS;
- Administration grant;
- Administration and collection issues

### 24.2 **The Council Tax Base**

24.2.1 The Council Tax base is determined by the Councils estimate of the number of Band D equivalent properties, adjusted to reflect anticipated developments, Council Tax collection rates (currently 98.5%) and the level of discounts awarded for single persons, empty homes etc.

24.2.2 The new CTS is a discount, rather than a benefit, so its introduction will significantly reduce the Council Tax Base, by an estimated 13.5%. If option 3 is used, the reduction in discounts and benefit awarded will have the effect of increasing the Council Tax base back to its original level.

24.2.3 If Members chose a % reduction in benefit which gives a small contingency, then initially there may be a small increase in the tax base. However this would be used to fund any non collection of Council Tax, avoidance tactics from those previously receiving discounts and/or slower collection rates. As

the collection rates are uncertain, the impact on the tax base and Council Tax yield is still uncertain at this stage.

### 24.3 **Budgeted Saving Required**

24.3.1 In determining the budget savings required, the DCLG have made a number of assumptions based on Office of Budget Responsibility predictions in respect of 2013/14. These assume a caseload reduction and no Council Tax increase.

24.3.2 Whilst these assumptions cannot be quantified at this stage, it is prudent for us to use them as the best available information at this stage and in effect a “worst case scenario”. We project the cost of the scheme will be 4,812,963 in 2013/14 but that we will only receive a cash limited grant of £4,163,556 (the indicative figure currently provided). This leaves an expected shortfall of **£649,406**, a reduction of 13.5%, rather than the headline reduction of 10%.

24.3.3 The expected date for grant allocation is early December 2012 and will be informed by the Office for Budget Responsibility’s view of expected spend on CTB for 2013/14. This uncertainty around funding suggests that it would be more prudent to take a cautious approach to developing local schemes in 2013/14 for the reasons indicated above.

### 24.4 **Increases in Caseload**

24.4.1 The risk of future caseload growth will fall entirely on the Council and the Major Preceptors going forward. Officers have made an adjustment for assumed growth of 1.25% in take up on current levels included in the figures above. This is based on an analysis of our caseload over the last 5 years, taking into account that it has remained fairly static for the last 2 years.

24.4.2 It is impossible to estimate what impact, if any, the proposed changes and publicity surrounding this new scheme will have in generating interest around applying for CTS from people who should be receiving CTB but for whatever reason choose not to apply.

### 24.5 **Costs of implementing the new CTS**

24.5.1 The Government have provided a one-off grant of £84,000 to cover the implementation of changes proposed. This is expected to cover the procurement of new software, costs of undertaking consultation and carrying out equality impact assessments and compensate for costs incurred in documenting the new CTS scheme and training staff in it. At this stage these costs cannot be quantified but the grant should be sufficient based on information known to date.

24.5.2 It is not clear if this one off funding to cover the initial CTS scheme is for 2013/14 only or any further changes to the scheme should it change in future years.

## 24.6 **Administration Grant**

- 24.6.1 The government currently provides a single benefit administration grant to meet the costs of administering Housing Benefit and CTB. Benefit administration achieves efficiencies by assessment, where possible, of Housing and CT applications at the same time. As new Housing Benefit applications transfer to the DWP over the next 4 years this efficiency is likely to be lost. Government have not yet determined how the current administration grant will be split between billing authorities and the DWP, so the financial implications cannot be determined.
- 24.6.2 The Government also currently fully compensate councils where they have overpaid benefit due to errors by claimants. However, councils can also seek recovery of the overpayments from the claimants themselves. This can lead to a small surplus on overpayments which the Council has been very successful in achieving for many years. It is not clear yet as to how these will be treated in the future and further guidance is being sought.

## 24.7 **Administration and Collection Issues**

- 24.7.1 Collecting extra Council Tax from existing working age claimants or a new liability of Council Tax from nearly 1,200 new customers is likely to increase the workload to the Council and increase potential costs in recovering monies due.
- 24.7.2 The cost of administering a local CTS scheme must be a key consideration for the Council in determining what type of scheme to adopt. The more a local scheme diverges from the national scheme for pensioners and the current Housing Benefit scheme which we will continue to administer for the next 4 years, the higher the administrative costs. Put simply the more we move away from a single input that updates multiple benefits, the more costs we add to the process.
- 24.7.3 As there are 1,940 working age claimants getting CTB with nearly two thirds getting full CTB, it is likely recovering these low but significant amounts of Council Tax from our most vulnerable customers will be expensive, as the costs relate to the activity required to recover the Council Tax and not to the value of Council Tax being collected. It is expected that claimants with reduced levels of CTS will lead to significantly increased recovery activity for a relatively small amount of Council Tax and much greater levels of support needing to be provided to ensure payments are maintained by basing the CTS scheme on the existing benefit rules bar the removal of the Second Adult Rebate scheme.
- 24.7.4 The table below looks at the effect of various levels of collection, how they affect our starting position and the impact on each of the precepting authorities. These figures are based on needing to recover £649,000, whether fully from benefit, or from a combination of benefits and loss of discounts / exemptions.

<b>% Collection rate</b>	<b>Shortfall £,000</b>	<b>Met by NWBC(£)</b>	<b>WCC (£)</b>	<b>WPA (£)</b>
100	0			
75	162.25	25.6	118.1	18.5
50	324.50	51.2	236.2	37.0
25	486.75	76.8	354.4	55.5
0	649	102.4	472.5	74.0

24.7.5 All the costs of employing any additional staff to attempt to maximise collection would be the sole responsibility of this Council as the Billing Authority, despite the Council retaining only a relatively small element of the monies collected.

24.7.6 Initial discussions have been held with the County Council and Police about a possible contribution to any additional administration costs, but neither is able or prepared at this stage to contribute to any costs of employing more staff. It is accepted that the employment of additional staff does not guarantee the collection of monies.

24.7.7 Taking these factors into account, it is appropriate to simply commit to achieving the best results we can within our current capacity. It will be necessary to review the work of existing staff to determine how they are best utilised. Any shortfall in collection will ultimately be shared in proportion to the pool levy if this is the outcome.

## 24.8 Other Impacts or Costs

24.8.1 Collecting monies will be more expensive as most of the benefit claimants who currently benefit from passported claims are likely to need to pay cash at either the post office or via paypoint. These methods attracts the highest cost of any collection method offered (currently approximately 51p per transaction), plus greater back office processing costs. Assuming 19,400 payments were made by this method (10 monthly payments by 1,940 claimants), the cost to the Council for collection would be £10,000. It is likely a number of these payments would also be paid weekly or fortnightly which would significantly increase costs further. As mentioned earlier, all of these costs would be borne by this Council. This may require a review of the current payment policy before March 2013.

24.8.2 The Council is likely to need to issue an increased level of recovery action as a result of non-payment and obtaining liability orders will involve adding a further £100 costs for the claimant. Whilst this would allow direct deductions from certain state benefits of up to £3.55 per week, deductions may be insufficient to clear liabilities plus costs in full in the year, resulting in a reduced collection rate overall. The level of costs charged for a liability order cannot be reduced unless this was a decision that would apply to all payers. This is not recommended as it currently provides an income stream that could not easily be replaced and would create an extra burden to the Council and its savings strategy.

- 24.8.3 Where deduction from benefits is not possible and payments are not made voluntarily, this will in many cases require the matter to be sent to the Councils bailiff, again at a significant cost to the customer and Council in additional administration. This will also have the impact of significantly increasing the liability of the person – in some cases disproportionately to the primary debt and will require a review of current recovery policies before March 2013.
- 24.8.4 There are likely to be higher levels of write off, so again a review of the Councils existing write off policy would need to be undertaken with Members before March 2013.
- 24.8.5 Officers will need to spend increased time dealing with more complex cases and more recovery cases overall. The opportunity cost of this additional work is unknown but it is likely to impact on in year as well as overall collection rates and impact on the very good payment culture the Council has promoted in terms of its very effective collection methods.
- 24.8.6 It will be increasingly necessary to ensure appropriate support and help is available from the Council, CAB, CWDA and other advice agencies to provide financial and budgeting support. The Council is very well placed to provide this because of the infrastructure developed with its partners in recent years, surrounding the wide-ranging B.O.B services delivered via the bus, one stop shop and recently introduced hubs but these services are likely to see significant increased demand that many not be able to be met quickly.
- 24.8.7 This support will be provided alongside Housing colleagues and Members will be involved with agreeing the support to customers affected by both these changes and other wide ranging Welfare Reform as part of a review of how support is given later in the year and how changes are communicated on agreement of the CTS scheme in November.

## 24.9 **Safer Communities Implications**

- 24.9.1 Promoting the use of empty property could assist in make communities feel safer.
- 24.9.2 However, the impact of benefit changes could lead to an increase in adverse claimant behaviour where benefit has been lost (e.g.) anti social behaviour over having less income or promoting people to borrow money from high interest lenders. It is hoped that the reasonable approach being taken to share the cost of the cuts may mitigate against this being necessary.

## 24.10 **Environment and Sustainability Implications**

- 24.10.1 A number of the measures outlined in this report will ensure empty properties are brought back into use as soon as possible.

24.10.2 The wider welfare reform changes currently being implemented (e.g.) the changes to Local Housing Allowances have already left a number of claimants reliant on Housing Benefit with shortfalls towards paying their rent and the planned changes around under-occupation in the social rented sector as well as the introduction of the Benefit Cap in April 2013 will leave many more claimants with further shortfalls in rent to pay. Imposing further reductions under the CTS scheme, particularly where claimants have no option to move to more affordable accommodation, may lead to worse outcomes for claimants and for the Council in dealing with the consequences of these changes

24.10.3 What will be important where protection cannot be provided should the proposed scheme be introduced is that it will be increasingly necessary to ensure appropriate support and help is available from the Council, CAB and other advice agencies to provide financial and budgeting support. The Council is very well placed to provide this because of the infrastructure developed with its partners in recent years surrounding the wide-ranging B.O.B services delivered via the bus, one stop shop and “soon to be” introduced hubs.

#### 24.11 **Equality Implications**

24.11.1 An initial Equalities Impact Assessment of the proposed scheme has been undertaken. Whilst it highlights as outlined in the evaluation of options section in this report that impacts will be felt by the proposed changes, it is hoped that these will be mitigated and managed by ensuring that help, support and the correct information is available to assist customers deal with the changes.

24.11.2 It is understood that many individuals will be impacted by the proposed changes and officers have sought to provide a balance between ability to pay and spreading the impact of changes as widely as possible whilst having regard to the very difficult economic climate under which these changes are being introduced to try to ensure collection performance can be maintained, or no fall considerably.

24.11.3 These impacts will be reviewed again once the responses from the consultation have been received and analysed.

#### 24.12 **Human Resources Implications**

24.12.1 Once more information is known about the likely impact of the scheme to be adopted on resources, a review of current job roles and capacity will be undertaken. At present and as outlined in the report, it is not envisaged that additional resources can be recruited to undertake the additional workload caused due to the reluctance of all preceptors to contribute to the cost of those employees in line with the perceived benefit of doing this.

24.12.2 Senior officers within the Community Services division are currently absorbing the considerable additional workload created by these and other welfare proposals. This position will be reviewed again in the Autumn as decisions



regarding new burdens created by this change and the position on the ongoing level of administration grant to be paid to the Council will be known.

24.12.3 On a positive note, the recent agreement to appoint a Welfare Officer in Housing division should assist greatly in working with Council tenants impacted by CTS changes and other welfare changes. Council tenants currently make up approximately a third of the working age claimants in receipt of CTB.

#### 24.13 Risk Management Implications

24.13.1 There are three main elements to the risk assessment. The first relates to government action to progress the legislation, the second relates to the consultation, and the third to the proposed scheme itself. These are addressed in the risk assessment at **Appendix B**.

24.13.2 The timetable for adoption and implementation of a local CTS scheme means that simple schemes based on the current CTB scheme design are the only realistic option open to the Council. The uncertainty around funding, welfare reform impacts and caseload changes as well as the need to minimise administrative costs supports a transitional year 1 scheme in 2013-14 with a further review from year two onwards.

24.13.3 Where it is impractical or impossible to offset the cut in CTB grant in full or part or by making changes to existing Council Tax discounts and exemptions or benefits, these are the following options for dealing with the residual cost.

- Absorb the cost and meet from increased Council Tax
- Absorb the cost and meet from savings

These options carry considerable risk

24.13.4 Under the first point, the potential £103,000 involved is the equivalent of a 2.6% increase in band D Council Tax which when added to the 2.5% assumed in the Medium Term Financial Strategy would take the Council above the 3.5% set this year which requires a referendum. In fact the reduced tax base brought about by treating Council Tax benefit as a discount to the tax base means that the additional cash required from Council Tax in 13/14 in the MTFs is equivalent to a 2.9% increase rather than 2.5%.

24.13.5 The costs of Council Tax benefit could be greater than those assumed by government due to people who are unwilling to take a benefit feeling more inclined to take advantage of a discount. Should the Council initially protect but subsequently find it cannot absorb the costs and have to change the scheme, then it will be seen as the Council taking away the protection rather than implementing a government policy.

24.13.6 The Chancellor in his budget indicated further cuts in public expenditure and the benefits bill. If council's absorb this cut then the government could see an opportunity to make further savings by cutting the Council Tax benefit grant.

In fact irrespective of whether council's protect or not there is a distinct possibility the government department would reduce the grant in real terms (e.g. standstill) in order to contribute to their departmental spending needs. If the Council has protected claimants then either more cost will have to be absorbed by the Council or the scheme would have to be changed with the implication mentioned in the previous point.

24.13.7 Indications are that future-spending reviews could be tough and the Council may need further savings. If that were the case the council's ability to deal with these cuts would be compromised by having absorbed the shortfall.

24.13.9 In addition the Council faces future funding uncertainty from business rates as under the current proposals falls in business rate income would impact on the Council's funding. Absorbing these costs would limit our ability to manage this.

The Contact Officers for this report is Bob Trahern (719378) and Sue Garner (719374).

### **Background Papers**

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

- Localising Support for Council Tax in England, DCLG Consultation, August 2011
- Localising Support for Council Tax in England: Government's Response to the Outcome of Consultation, DCLG, December 2011.
- Localising Support for Council Tax in England. A Statement of Intent. DCLG, May 2012.

**TECHNICAL PAPER - COUNCIL TAX DISCOUNTS AND EXEMPTION CHANGES**

**Technical Reforms**

The Local Government Finance Bill proposes giving councils more flexibility over certain discounts and exemptions to raise additional income.

In order to help offset the proposed benefit cuts there may be scope in reducing the level of current Council tax discounts and exemptions granted to certain types of dwelling.

There is currently still a potential question mark over the links with the New Homes Bonus that may nullify any proposed savings detailed below but we await clarification of our questions to Government that have indicated that it is not their intention to penalise Councils for using these new powers. It is therefore expected that there will be no detrimental impact on the Council if changes as proposed in this document are implemented.

The benefits of any additional income will be shared in proportion to precepts levied, however the administrative burden will lie with us as the Billing Authority. This is an area that was discussed further with precepting Councils to see if they are prepared to contribute any income to assist in the collection of these monies but they have indicated that they are unable to assist in 2013/14. It will mean that the additional workload to administer and police the changes proposed that could give rise to considerable challenge. It is likely to impact on collection levels and the impact of any shortfall would be shared in proportion to the precept levied.

**Background to Proposals**

Government have announced that they are giving local authorities discretion on the level of discount they apply to Second Homes (currently at a minimum of 10%) and the level of exemption that they apply to three classes of current exemptions:

- Class A – Vacant dwellings where major repair works or structural alterations are required, under way or completed. Currently attracts a 100% exemption for a maximum period of 12 months.
- Class C – Vacant dwellings that are unoccupied and unfurnished. Currently attracting a 100% exemption for a maximum period of 6 months.
- Class L – Unoccupied dwellings that have been taken into possession by a mortgage lender. Currently attract an indefinite 100% exemption.

All these categories give some form of incentive to retain properties in an empty state over a range of periods and this runs counter to the Council's stated policies of encouraging empty homes back into the District housing stock. Removal or reduction of these perverse incentives may encourage a faster turnaround of such stock.

They have also given the power to levy a premium above the standard Council Tax of up to 50% for long-term empty properties beyond two years. The Council has recently approved measures to try to bring such properties back onto the market and it is recommended we review how those processes work before making further changes by introducing a premium.

Properties that are empty because the occupier has gone into a care home (Class E) or the owner has deceased (Class F) will retain existing exemptions.

### **Current Position**

As at 31 March 2012, the Discount and Exemption caseload was as follows:

- Second Homes discounts (65 discounts at 10%), at a total cost to preceptors of £9,000.
- Class A Exemptions; where the property is unoccupied due to major refurbishment and attracting a maximum exemption of 100% for 12 months. There were 127 awards of the exemption between 1 day and 365 days at a total cost of £64,417.
- Class C Exemptions; where the property is unoccupied and unfurnished and attracting a maximum exemption of 100% for 6 months. There were 2353 awards of the exemption between 1 day and 183 days at a total cost of £405,540.
- Properties in Class C over 6 months and currently paying 100% of the occupied charge: There were 433 of these, of which 194 had been empty for a period of greater than 2 years which could generate a potential £90,000.
- Class L Exemptions; where the property has been repossessed and the Mortgage lender are liable for the Council Tax, attracting a maximum (indefinite) exemption of 100%. There were just 53 awards of the exemption, many for short periods at a total cost of £25,619.

The Council changed its policy of charging second homes and Long Term Empty dwellings with effect from April 2013 but these had no impact on the above figures. Prior to this date, properties in Class C over 6 months and Second Homes were charged at 50% of the full rate.

Looking at the trend analysis of data over the last 4 years, it is reasonable to take the above figures as an average position.

We had a number of enquiries relating to this decision on issue of the annual bills in April, and a number of attempts by customers to claim they were now occupied. In many cases this is a tactic employed by couples that claimed that from April they were now living separately, each occupying one property as their main dwelling in order to attempt to claim a Single Person Discount and reduce the bill. In all cases,

these challenges have been defended successfully and it would appear that the taxpayers are making increased payments. This will reflect an ability to pay based largely on the better than average financial position which will largely be a feature of these customers.

This final point would suggest that in reviewing the use of the additional revenue raising powers available that it would be in the interest of the Council to change its charging policies under the proposed new powers which will raise significant monies. This will help offset in all or part the shortfall in benefit grant that will be introduced in April 2013 and enable Members to either protect or seek to recover much smaller and potentially more realistic new charges from current recipients of Council Tax Benefit.

The changes if implemented will result in increased Council Tax being paid by owners of second homes and long term empty properties which is likely to influence behaviours (i.e.) provide the incentive to bring a property back into use or be used in a different way which has two potential benefits.

This report outlines the potential impact of implementing this change.

### **Proposed Changes and their Impact**

That Members consider the revisions to discounts and exemptions in light of the following recommendations: -

- (i) Second Homes discounts (65 discounts at 10%), at a total cost to preceptors of £9,000.**

Whilst the number of second homes in the borough has never been a particularly large problem in terms of income loss, awarding a 10% discount does lead to a drop in Council Tax income and revenue to the Council. Second homes are defined as dwellings that are no one's sole or main residence and furnished. This would raise an additional £9,000

### **Impact**

- Risk of Non Collection is Very Low
- Cost of Collection is Low as bills are already issued
- Could be additional challenges claiming occupation by a single person

- (ii) Class A Exemptions; where the property is unoccupied due to major refurbishment and attracting a maximum exemption of 100% for 12 months. There were 127 awards of this exemption at a total cost of £64,417.**

Professional developers buy the majority of these properties and whilst undergoing major structural alteration, they are exempt for a period of up to 12 months. A very small number are as a result of fire or flood, which temporarily render them uninhabitable. In order to qualify for this exemption, the Council has to visit all the

properties and make an initial inspection to satisfy that the dwelling meets the criteria of “major works” and also undertake periodic inspections after to monitor the progress of works bring undertaken. We also have to be satisfied that no one is occupying the property and that it is substantially unfurnished.

### **Impact**

- Risk of Non Collection is Low/Medium – can be covered from equity released on the sale of the property in cases where payment cannot be made monthly.
- Developers would need to factor the increased costs into the overall costs of their refurbishment as an additional expense to materials
- Likely to be challenges from developers as different policies will apply across the country but the time dealing with these will be offset by the removal of the inspection regime
- It would seem appropriate and necessary for the Council to consider adopting a local Discount under Section 13a LGFA 1992 to protect private individuals from payment in circumstances where they have been forced to temporarily vacate their house as a result of a natural disaster (e.g.) fire or flood. This would need to be adopted and funded by the Council. This is something we would hope the other preceptors would contribute to the cost of in proportion to their precept levy. Otherwise it could simply be written off which would have the same impact as awarding a discount but share the loss proportionally.

### **(iii) Class C Exemptions; where the property is unoccupied and unfurnished and attracting a maximum exemption of 100% for 6 months. There were 2353 awards of this exemption at a total cost of £405,540**

Bringing empty properties back into use has now become a National priority as well as a local one as outlined in a report by the Assistant Director (Housing) approved by the Housing Sub Committee in October 2011. She outlined in her report about the current issues being faced by the Council in trying to meet the increased demand for homes by residents who are struggling to access the right level of finance to afford a property.

Currently properties benefit from a 6-month exemption from Council Tax charges on becoming empty providing that they are substantially unfurnished. After the 6-month period, they attract a 100% charge. In order to re-qualify for a further period of exemption, the property has to be occupied for a period of 6 months or more. A bill is issued even if there are no charges to be levied as required by law.

The Council currently inspects these properties on a rolling basis following a request to treat a property as empty and substantially unfurnished and is now dealing with more cases where short occupations are being claimed to take advantage of the way exemptions are awarded because of the financial advantages awarded.

This practice would disappear if the proposed new approach was adopted and will also have a significant impact on new income that can be collected from these

houses which would have been £405,540 had the scheme been in place in 2011/12. It is considered that as the customers from whom these charges are requested usually owns the property; the likely collection of these charges would be high and certainly significantly easier than recovering from customers relying on welfare benefits.

The potential downside is that we will potentially receive a significant number of initial enquiries from the raising a number of smaller bills, as the charge levied would be between approximately £2.80 per day for a Band A property up to approximately £8.30 per day for a Band H property. However, this should be fairly easy to justify although landlords and previous occupiers may be unhappy. The Council as a major landlord in the area itself will also be impacted by this change and we have estimated that this would possibly result in new liabilities when Council Houses are void of approximately £25,000 per annum based on activity in 2011/12. This would be a charge against the Housing Revenue Account and could be met from that fund with no impact on the Councils General Fund.

**(iv) Properties in Class C over 6 months and currently paying 100% of the occupied charge: There were 433 of these, of which 194 had been empty for a period of greater than 2 years**

It is proposed that the Council can charge a premium of up to 50% on Long Term Empty Properties to assist bringing such dwellings back into use. If we were to adopt this policy this would fall in line with the aims of the Council to bring its long-term empty properties back into use at a time where we have a shortage of suitable houses in the borough.

It is considered that the impact of higher charges could assist in this aim and act as further encouragement to owners to consider bringing properties back into use. The Council has a number of programmes in place to help achieve this aim and most notably has a number of partnerships with Registered Social Landlords in the area that can assist them to bring these properties back into use and earn them an income. These are outlined at Appendix A.

The Government's New Homes Bonus recognises the problem and is concerned with not only rewarding Councils for building or approving new houses but also bringing empty homes back into use. A Council's ability to access the New Homes Bonus reward scheme is dictated by ensuring the number of long term empty homes in their district is decreasing and by adopting a change in the Councils charging policy around long-term empty properties in relation to Council Tax levied would contribute to this aim.

Whilst this seems to offer some real merit, the very real only potential downside to this policy is that whilst it should influence behaviour to bring properties back into use, this may be for very short periods of six weeks to take advantage of starting a new exemption period where charges would only be levied at 100% (or the full

charge) as opposed to 150% of the full charge or simply declaring them as second homes by putting furniture in them.

### **Impact**

- Collection across the Class changes should be that collection would be medium to high risk
- Cost of Collection is Low as bills are already issued
- Could be additional challenges claiming occupation and the fairness of the policy and avoidance tactics adopted. If these tactics were adopted there would be a loss of income. Alternatively it could bring the properties back into use, which is what we would hope meaning the income was lost but it would bring the property back into use and potentially earn a New Homes Bonus reward. However, the likelihood is a significant number may simply place furniture in the property and call them their second homes.

Properties that are empty because the occupier has gone into a care home (Class E), To Receive Temporary (Class I) To Provide Temporary Care (J) or the owner has deceased but before probate has been granted (Class F) as the key exemptions awarded in the borough if appropriate will retain unlimited time periods when no charges are due as under existing exemptions.

(v) Class L Exemptions; where the property has been repossessed and the Mortgage lender is liable for the Council Tax, attracting a maximum (indefinite) exemption of 100%. There were just 53 awards of this exemption at a total cost of £25,619.

This is currently subject of further discussions with DCLG but it is expected that it will be introduced in April 2013 allowing a charge to be levied against the lender who repossesses a property.

If agreed, it is proposed that a 100% charge is adopted immediately as collection of the monies should be certain due to the nature of the lender being a major corporate body.

An overview of the impact of introducing all these changes is as follows;

<b>Change</b>	<b>Estimated Charges £,000</b>
Remove exemption period on uninhabitable dwellings: Class A to zero from current 12 months period	64*
Remove exemption period on empty dwellings: Class C to zero from current 6 months period	405
No second home discount: Reduce from 10% to 0%	9
Long term empty premium on homes that have been empty for over two years proposed to be charged at 150% after this qualifying period	90*



Introduce Class L changes: Repossessed Dwellings	25*
Total	593

It should be noted that there is a risk in relying on 100% collection of the above changes due to the potential avoidance tactics that could be adopted by homeowners of Long Term Empty Properties (£90,000) to avoid paying increased Council Tax charges or properties are legitimately brought back into use. It would be prudent to reduce the forecasted raising of these charges by £45,000 but if we saw the second home loop hole being exploited this could result in no additional income being received very easily.

The Class L changes will only be implemented if CLG as indicated are successful in their further discussions to introduce this change (£25,000). This is expected to be implemented but there has to be a degree of caution placed on this.

A small number of the Class A changes would qualify for the locally determined discount or write off due to the reasons for the property being uninhabitable (assume £10,000)

**This could reduce the potential new income between £468,000 to £513,000**

### **Risks**

There will be an increased risk of arrears as potentially the Council will be billing taxpayers who may have moved out of the district and the amounts may be relatively small if the empty period is relatively small. However, it is expected that a very high percentage of these charges would be collectable – 95% as a minimum

There may be arrears issues with landlords of unfurnished rental who will now have to pay Council Tax during void periods. The changes proposed are likely to mean that we would accept that property could remain furnished as the different approach currently needed to differentiate between furnished as opposed to unfurnished disappears.

### **Financial Implications**

If the proposals are accepted there will be an increase in the taxbase of the borough, which will generate additional revenue for all preceptors. If we assume this is between £463,000 to £513,000, the financial benefit of the increased taxbase to all preceptors will be approximately: -

<b>Precepting Authority</b>	<b>Estimated Benefit (£'000)</b>
Warwickshire County Council	341 - 373
Warwickshire Police	53 - 59
NWBC and Parishes	70 - 81

**Risk Assessment Based on Option 3.**

<b>Description of Risk</b>	<b>Initial Impact</b>	<b>Initial Likelihood</b>	<b>Mitigation</b>	<b>Residual Impact</b>	<b>Residual Likelihood</b>
<b>Government Risks</b>					
1. Legislative uncertainty and delays	H	M	Monitor progress of legislation.	H	M
2. Final grant not known.	H	M	Monitor government announcements.	H	M
3. Changes (reductions) in the future level of CTS support.	H	M	None, but the consultation and design of the scheme makes it easy to make future changes.	H	M
4. Government assumptions of reducing claimant levels or reduced level of support prove incorrect.	H	H	Ensure contingency in scheme design and design of the scheme makes it easy to make future changes.	M	H
5. Adverse impact of Universal Credits on the ability of some to afford the Council Tax Bills	H	H	Use second homes and empty homes discount reductions to minimise the Council Tax bills to be sent to CTS claimants	M	M
<b>Consultation Risks</b>					

<b>Description of Risk</b>	<b>Initial Impact</b>	<b>Initial Likelihood</b>	<b>Mitigation</b>	<b>Residual Impact</b>	<b>Residual Likelihood</b>
1. Failure to consult properly with major preceptors.	H	H	Options have been discussed with County Council and Police Finance Officers in developing schemes to this stage.	L	L
2. Failure to engage with other consultees.	H	H	See consultation approach – Appendix 3.	L	L
3. Claimants may not understand the consultation.	H	H	Draft clear simple letter to Council Tax payers and CTB claimants. Liaise / consult with claimant representative organisations and other special interest group representatives	L	L

<b>Scheme Risks</b>					
1. Lower Council Tax Collection Rate	H	H	The assumptions within the Council Tax base and in agreeing the scheme should ensure that the collection rate is protected as much as possible	M	M

2. Increased claimant levels due to higher take up, increased pensioner numbers or increased unemployment	H	H	None, but recent trends suggest this is unlikely to happen	H	M
3. ICT suppliers unable to deliver.	H	H	In discussions with ICT suppliers. CAPITA, the Councils software provider have assured their users that they are able to deliver a scheme based on that being proposed by the Council within the budget provided by the Government.	H	L
4. Timetable delays.	H	H	Pro-actively managing the timetable	H	M
5. Public resistance to implementation.	H	H	None	H	H
6. Legislation is not complete so the legal position with regards to discounts is uncertain.	H	L	Progress of legislation is monitored and assurances have been sought to ensure the Councils position is safeguarded as much as possible	H	L
7. 2013/14 grant has not been confirmed.	H	H	Announcements from DCLG are being monitored. The final position is expected in the Autumn. The Council has worked on a "prudent" position.	H	H

8. Higher than average levels of non-payment of CT from CTS claimants and other taxpayers.	H	H	A contingency for non-payment has been built into projected costs. Based on the scheme proposed, it should ensure collection of charges is feasible and encouraged to avoid significant extra additional costs being added.	M	M
9. Higher collection costs	M	M	A pragmatic cost / benefit assessment on collection has been undertaken. This suggests there are methods that will be deployed to maximise payments that can in the main be offset by adding court costs where payments are not paid on time.	L	L

<p>10. Lower collection rates will be set by billing authorities as it is not cost effective to the billing authority to spend significant amounts to collect based on the proportion of income retained by the Council at approximately 13% (despite paying 100% of the administration costs). Therefore the impact to billing authorities is low, but to major preceptors it is much higher.</p>	<p>H</p>	<p>M</p>	<p>We have minimised the size of the bill to be sent in order to improve payment levels and reduce the level of significant write off, through the use of empty and second home discounts from whom it is considered payments will be easier to collect.</p> <p>Lobby preceptors to provide further financial support to billing authorities in order to maintain / increase collection rates in future years.</p>	<p>M</p>	<p>L</p>
<p>11. Potential legal challenge to the CTS scheme.</p>	<p>M</p>	<p>M</p>	<p>Ensure the scheme has been comprehensively analysed and full consultation has taken place, and the impact of lower income families has been minimised.</p>	<p>L</p>	<p>L</p>

**Consultation Approach for Changes to Council Tax Support**

Name of Document	
Topic	<p>This consultation seeks views on the proposed changes from the existing CTB scheme to a local Council Tax Support scheme within North Warwickshire. The changes are required by Government in order to save circa 10% of the CTB bill. Those affected will be mainly CTS claimants of working age, and those in receipt of empty homes and second homes discounts. Pensioners in receipt of CTS are not affected (unless they own empty or second homes).</p>
Period	<p>Mid August – mid October. The consultation period is 8 weeks rather than 12 in order to meet the timescales for implementation of the new CTS.</p>
Promotion and Publicity	<ul style="list-style-type: none"> <li>• Alerts on the homepage of the Borough Council website, the “ask B.O.B” website and the Front Line Workers Toolkit website</li> <li>• Notices and paper copies to be displayed in the one stop shop, on the B.O.B Bus, in libraries and B.O.B hubs across the borough (where agreed)</li> <li>• A press release to be issued</li> <li>• That consultation is conducted by post with an online version of the questionnaire made available</li> <li>• Letters are sent to a sample of current benefit claimants and discount / exemption recipients (up to 500 each – to be agreed)</li> <li>• Awareness raising at Area Forums</li> <li>• Awareness raising to members of the Councils Financial Inclusion Partnership</li> <li>• Separate briefings to Council Tenants Forum and CAB</li> </ul>
List of Consultees	<ul style="list-style-type: none"> <li>• Peoples Panel, Benefit claimants, CAB, special interest groups, major preceptors, those with empty or second homes, Housing providers, Landlord representatives, Chamber of Commerce.</li> </ul>
Methodology	<ul style="list-style-type: none"> <li>• All Member briefing</li> <li>• Press briefing</li> <li>• Communicate with consultees via post, internet and email providing a web link to on-line version of the document and e-mail addresses for feedback.</li> </ul>

	<ul style="list-style-type: none"> <li>• Consultees requested to submit their comments via the Council's website if possible - this will make analysis of comment more cost effective.</li> <li>• Alternatively comments may be emailed.</li> <li>• Consultees can also make representations by letter as a last resort</li> <li>• Encourage people to use B.O.B hubs</li> </ul>
Data analysis	<ul style="list-style-type: none"> <li>• All comments will be compiled by subject matter.</li> <li>• Officers will provide responses.</li> </ul>
Feedback	<ul style="list-style-type: none"> <li>• Automated responses will sent to everyone who submits a comment, explaining the timescale for addressing the issues raised</li> <li>• A report will be presented to the Resources Board detailing issues raised through the consultation. The Council will consider all comments received to determine whether changes should be made before any scheme is finalised.</li> </ul>
Costs	<p>Costs will be kept to a minimum:</p> <ul style="list-style-type: none"> <li>• consultation work will be undertaken in-house</li> <li>• communication via electronic means as far as possible</li> <li>• the costs of printing, postage and analysis will be covered from the grant provided by Government for this purpose</li> </ul>
Points of contact	<ul style="list-style-type: none"> <li>• To be determined.</li> </ul>



## Draft Local Council Tax Support Scheme Consultation

### **Background**

Some residents of working age on low incomes currently get Council Tax benefit to help them pay their Council Tax bill. This could be people who work part time or who are in low paid jobs or who have retired early and are living on small private pensions. It also includes people living on state benefits because they do not have a job or are unable to work because of health problems or disabilities or because they have responsibilities caring for family members.

From April 2013, the government has announced that Council Tax benefit in its current form will no longer exist. Instead councils will need to operate a local Council Tax support scheme. The amount of financial grant the Council will receive from the government to fund such a scheme will be approximately 13 -14% less than it currently receives. For North Warwickshire Borough Council this is equivalent to a grant reduction of approximately £650,000 per year based on current Government projections. This means that the Council needs to consider how to reduce the level of help it gives to residents on low incomes from next year. The Government have also stated that all current and future pensioner Council Tax Benefit recipients must be fully protected from the changes so the reductions to benefit will only fall on working age people.

The Government has also announced changes to the main Council Tax system from April 2013. From this date Councils have the discretion to change discounts and exemptions given to certain properties for Council Tax purposes. These changes mainly affect empty properties and “second homes”.

In operating the new scheme the Council has to decide which people of working age should get help to pay their Council Tax bills and how much this should be. It also has to decide whether or not to reduce some of the current Council Tax discounts and exemptions given to certain properties. The increased income generated from reducing these discounts or exemptions are allowed to be used to offset the impact of the reduction of grant received under the new Council Tax Support scheme.

The new system of Council Tax support must be approved by 31<sup>st</sup> January 2013 and be implemented by 1<sup>st</sup> April 2013 in time for the new Council Tax year. This consultation will run from 20 August 2012 to 15 October 2012 (8 weeks)

This scheme, referred to as Council Tax support (CTS), is set out as a number of proposals that are dependent on:

1. The outcome of the consultation on this scheme;
2. The passing of the Local Government Finance Bill and subsequent secondary legislation;
3. The bringing into force of the Welfare Reform Act 2012 and any secondary legislation.

In these proposals 'the new scheme' means the proposed Council Tax support scheme (CTS).

In these proposals 'the current scheme' means the existing Council Tax benefit scheme (CTB).

### **Council Tax Benefit**

Some people receive Council Tax Benefit; it helps those people on a low or no income to pay their Council Tax. It is paid irrespective of whether the person is working age or pension age or on state benefits or low earnings.

At present the Government gives the Council all of the money we need to fund Council Tax Benefit.

The Government sets the rules regarding who can claim Council Tax Benefit. If somebody meets the criteria they will receive a contribution towards their Council Tax bill. This contribution is paid directly into their Council Tax account – no money is paid directly to the resident. In North Warwickshire in the current year (2012-2013) we expect to spend approximately £4.69million on Council Tax Benefit. Over the past five years, Council Tax Benefit expenditure has risen each year because more people are claiming.

### **What are the changes to Council Tax Benefit?**

From next April, Council Tax Benefit in its current format will be abolished and instead all Councils must develop their own Council Tax Support scheme. The Government will be giving us less money to pay for this new scheme. The reductions for North Warwickshire will be in the region of £650,000 a year which equates to a cut of around 13.5% on what is currently being paid out.

The requirements for the scheme are set out in the Local Government Finance Bill, which is currently going through the Parliamentary process. If this planned legislation is passed, the Council will be expected to have a local scheme in place by 31st January 2013.

Although the scheme will be localised the Government has outlined some main principles which will apply:

- **There will be no change to the amount of help pensioners currently receive.** People who have reached the age for state pension credit will be assessed under a national scheme which will be decided by the Government. The national scheme is likely to be very similar to the current one and **these residents will not have their benefit reduced providing their circumstances stay the same.**
- The impact on the most vulnerable should be considered when councils design their new schemes.

- Councils have the discretion to use income generated from changes to certain Council Tax discounts and exemptions to financially reduce the impact on working age benefit recipients.

The new scheme will be designed to meet the needs of the local area and Local Authorities are allowed to decide the rules for their own Council Tax Support scheme. As a result there could be a risk that Councils have very different schemes in place and so people could have varying experiences depending on where they live.

Due to the tight timescales and the Council's commitment to a full and detailed consultation process, we are having to consult before the legislation has been passed. This is unavoidable due to the timetable the Government are following as the detailed legislation will not be available until later in the year.

We are seeking your views based on the current draft legislation, however there may be some changes which we are unaware of at this stage. If the legislation changes we will keep you informed and will still take account of your views on any future scheme. Approximately £650,000 savings need to be made for the year from April 2013 to March 2014 in order to run the new Council Tax Support scheme. Due to the level of savings we need to make it is extremely likely that everybody under pension age who currently receives Council Tax Benefit will have to pay something towards their Council Tax bill – even if they have received full benefit and never paid anything before.

Due to the current level of pensioner caseload in the borough which make up over 60% of the current Council Tax Benefit caseload, if the Council had passed all this reduction directly onto its remaining Council Tax paying customers, this would have resulted in a cut in current Council Tax benefit levels of approximately 37% per household. Under this scheme the biggest loser would have been worse off by over £1,000 per year. To equalise the impact of some of these very high changes being passed caused by a straight percentage cut, it has been considered a more equitable stance to pass on the equivalent cut in benefit to all current recipients as a standard levy and this would result in needing to make a charge of £346 per annum (or £34.60 per month if paid over 10 months).

However, these amounts remain very high and mindful of the current climate around ability to pay and other competing financial pressure particularly on Council Tax benefit claimants, many of whom are described as the least well off in our communities, Members consider that whilst benefit claimants must share some of the burden, the greater share should be paid by homeowners who currently are either exempt from paying full rates on empty properties or second homes they own or who have kept property empty for longer than 2 years at a time of housing shortages.

As a result, the Councils proposed scheme is as follows;

## **Proposed North Warwickshire scheme**

Clearly the local scheme cannot be introduced without working age benefit customers paying more Council Tax than they currently do (as we cannot reduce payments to pensioners). Our approach has been to work with this principle but attempt to reduce the financial impact by using other options (by using changes to Council Tax discounts and exemptions – see next section) wherever possible. However, the additional income generated by changing discounts and exemptions is not enough to fully cover the reductions in benefits which need to be made.

## **Key changes from Council Tax Benefit**

### **Pension age customers <sup>2</sup>**

- Will move to the new national scheme and will receive the same level of support as they currently do

### **Working age customers**

- The scheme will be based on existing rules but the final award will be reduced by an amount equivalent to 15% expenditure of existing levels of Council Tax Benefit<sup>3</sup> paid to all claimants. Rather than pass this on as a percentage reduction, this will be passed on as a standard levy. This is currently forecast to be approximately £133 per year based on current projections (or £13.30 per month if paid over 10 months).
- Customers receiving Council Tax Benefit on 31 March 2013 will be transferred onto the new scheme from 1 April 2013 without the need for a new application and will be assessed in line with the new scheme
- An application will be required for all new claims from the 1<sup>st</sup> April 2013. An appropriate means of application will be decided by the Council and may be revised as required.
- Consideration will be given as to how to calculate income from benefits established under the Welfare Reform Act 2012, such as universal credit and personal independence payments, when regulations have been issued setting out the method of calculation for these benefits.
- If you disagree with a decision about your Council Tax Support any initial request for the decision to be looked at again will be reconsidered by the Council and if you still disagree with the outcome you may then appeal.
- A review process may be implemented by the Council for new and existing awards. Awards may be reviewed in a time period to be determined by the authority and failure of the claimant to fulfil any request during a review of their award may result in the termination of that award.

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<sup>2</sup> A pensioner is defined as a person who has attained the qualifying age for State Pension Credit

<sup>3</sup> Existing Council Tax Benefit rules as set out in the Social Security Contributions and Benefits Act 1992, the Social Security Administration Act 1992, the Council Tax Benefit Regulations 2006 and the Housing Benefit and Council Tax Benefit (Decisions and Appeals) Regulations 2001. This means features of the current scheme such as provision for claims to be backdated, earnings and income disregards, non-dependant deductions, appeal rights, start dates for claims and the main calculation itself will not be changed

- Any figures set out in the scheme may be updated, to take effect on 1st April each year following the commencement of the scheme, by the consumer price index, retail price index rate of inflation set out in the preceding September, or by another rate determined with reference to provisions made for housing benefit and universal credit or as decided by the authority. We propose that the rates of allowances and premiums used to calculate Council Tax Support be frozen to those rates applied to Council Tax Benefit for 2012/13.
- Apart from where legally required, advice of any award granted, removed or revised will be by an adjustment to the Council Tax bill and the bill itself will be the formal notification. The Council may reserve the right to include additional notifications.
- Consideration will be given as to how further notifications of an award or non-award of Council Tax support will be made under the new scheme.
- Any overpayment will be rectified by the amount being clawed back by an adjustment to the Council Tax bill.

The only other minor change we are intending to make is discontinuing the “Second Adult Rebate” scheme for working age people. This is a feature of the current Council Tax Benefit scheme where the liable person for Council Tax can claim a % reduction as someone else in the property is on a low income. In reality it is claimed by very few people (20 in North Warwickshire) and we are proposing ending this scheme for all working age people from 1<sup>st</sup> April 2013.

### **Changes to Council Tax discounts and exemptions**

From the same date (1<sup>st</sup> April 2013) Councils are being given the discretion to change the current levels of discount and exemptions awarded to certain types of property for Council Tax purposes. Not all discounts and exemptions are included in these changes and the most common type of discount, single person discount, is **unaffected**.

#### **Current position**

At the moment a Council Tax discount of 10% is given to owners of second homes. These are properties where the owner has a main property elsewhere that they live in but also owns a second home which is kept furnished – mainly holiday homes.

Additionally, a Council Tax exemption (100% reduction) is applied to periods of up to 6 months where a property is both empty and unfurnished. This means that if an owner of a property does not occupy it themselves or does not have a tenant/buyer to occupy it (in the case of a landlord or property developer) for a period then they do not have to pay Council Tax for up to 6 months.

There are also reductions in Council Tax given for owners of properties which are undergoing major renovation or structural repair work. This must be substantially more than a standard kitchen or bathroom refit. In such circumstances property owners can receive an exemption (100% reduction) from their Council Tax of up to 12 months whilst the work is going on.

From 1<sup>st</sup> April 2013 the Government have confirmed that Councils can use local discretion to change these discounts or remove them completely.

### **Proposal for Council Tax discounts / exemptions**

We are proposing the following changes to Council Tax discounts and exemptions from 1<sup>st</sup> April 2013:

- Second homes – Reduce the current 10% discount to 0%(i.e. Council Tax will be payable in full for Second Homes)
- Empty properties – Reduce the current 100% exemption to 0%. (i.e. Council Tax will be payable in full for empty properties.
- Properties undergoing major structural work – Reduce the current 100% exemption granted for 12 months to 0%. (i.e. Council Tax will be payable in full for all uninhabitable properties in a state of disrepair unless it has been caused by circumstances outside the owners control (e.g.) a flood, fire etc when each case will be considered on its individual merits.
- Repossessed Properties – Reduce the current 100% exemption granted when a property is repossessed to when it is sold to lenders if the statement of intent around the likely legislation is changed to make this possible from 1 April 2013.

All income generated from these changes will be used to reduce the overall financial impact on benefit reductions to working age people due to the reductions in grant received. It will not generate additional funds or income for the Council to spend on other purposes.

Any property benefiting from a second home or empty property reduction as at 31.3.13 will have the relief stopped from 1.4.13 – regardless of how long it has been in payment.

### **Combined impact of changes**

This is a summary of what is being proposed from 1<sup>st</sup> April 2013:

1. Working age Council Tax Benefit awards reduced by the charging of a standard levy of anything between £130 and £156 per annum (or £2.50 to £3.00 per week). This figure may increase in future years if there are further financial pressures on the money available in the fund).
2. No change to Council Tax Benefit calculation for pensioners (legislative requirement – no local discretion)
3. Reduction to Zero% of the current Council Tax 10% discount for second home owners
4. Reduction to Zero% of the current 100% Council Tax exemption for empty unfurnished (and most likely furnished) properties
5. Reduction to Zero% of the current 100% Council Tax exemption for properties that have been repossessed.
6. Reduction to Zero% of the current 100% Council Tax exemption for properties undergoing major structural repair

## 7. Second Adult Rebate discontinued for working age people

The Council will take proactive action to prevent, detect and punish active Council Tax payment avoidance designed to circumvent these proposed changes.

The financial impact of adopting these six options will cover the 2013/14 £650,000 grant reduction from the Government. Any changes to these proposals will need to still cover the funding shortfall.

These proposals adhere to the basic principle that everyone who can contribute to the funding shortfall will be asked to do so according to their means. We will look to protect vulnerable people and people with the lowest incomes where possible but it is inevitable that they will be asked to pay something.

### **Proposed questions to ask in consultation**

1. Do you agree with the principle that the overall financial shortfall should be covered from benefit reductions **and** changes to Council Tax discounts and exemptions ?
2. Do you agree that the split between finding the greater element of the savings from those with assets than those currently reliant on benefits is fair ?
3. Do you agree that working age benefit claimants should pay something towards their Council Tax ?
4. Do you agree that the reductions needed from benefit claimants should be recovered as a standard levy as opposed to a percentage cut in current benefit received which favours those customers with the least money or most significant needs?
5. Do you agree that the basic features of the current Council Tax Benefit scheme such as backdating, appeals, treatment of income and savings should remain unchanged ?
6. Do you agree that people who deliberately try to avoid paying Council Tax by providing false information about their circumstances should be penalised ?
7. Second Adult Rebate is awarded to Council Tax payers who are not entitled to Council Tax Benefit based on their own income as it is too high but receive a rebate of up to 25% of their bill because they have other adults on a low income living with them. Do you agree that we this part of the Council Tax Benefit scheme be removed ?
8. Any other comments (free text)

Could have a number of box options

Strongly Agree

Agree

Disagree

Strongly Disagree

Ask them for Name, Address, Contact Number and E Mail address