

<b>MEETING :</b>	<b>Full Council</b>
<b>DATE :</b>	<b>24<sup>th</sup> January 2013</b>
<b>CABINET MEMBER:</b>	<b>Cllr. Brian Jones</b>
<b>TITLE :</b>	<b>Council Tax Reduction Scheme</b>
<b>OBJECTIVE :</b>	<b>Adoption of Local Scheme by 31<sup>st</sup> January 2013</b>
<b>AUTHOR :</b>	<b>Dafydd L Edwards</b>

## **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to present to Members the arrangements for the implementation of the new Council Tax Reduction Scheme, and to consider any discretionary elements which Members may wish to approve.

## **2. EXECUTIVE SUMMARY**

- 2.1 The full Council are required to determine whether to adopt the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2012 by the 31st January 2013.
- 2.2 The Regulations contain certain discretionary elements which authorities may include within the Scheme.
- 2.3 Failure to adopt a 'local' scheme by the 31<sup>st</sup> January 2013 will result in the Council Tax Reduction Scheme (Default Scheme) (Wales) Regulations 2012 being imposed upon the Authority.

## **3. BACKGROUND INFORMATION**

- 3.1 From April 2013 the UK Government is reducing the funding of Council Tax Benefit (CTB) by 10% and the existing CTB Scheme is to be abolished.
- 3.2 There are only limited differences between the existing CTB Scheme and the new Regulations. The three main differences are as follows:
- Under the current CTB Scheme where the claimants' own income is too high to receive CTB, and if 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%. This scheme has now been removed from the new

Regulations and will not apply from the 1<sup>st</sup> April 2013. At present in Gwynedd Council there are 88 households who qualify for this rebate.

- The current CTB Scheme calculates the benefit entitlement on the 100% Council Tax liability of the claimants but from 1<sup>st</sup> April 2013 the Council Tax Support entitlement will be calculated on 90% of the Council Tax liability. At present in Gwynedd there are 11,250 households who receive support towards their Council Tax of which 8,350 of those households receive 100% support. These 8,350 households that presently receive this 100% support from 1<sup>st</sup> April 2013 will have to make arrangements to pay to the Authority the 10% that will become due. In relation to partial Council Tax Benefit claimants the reduction could be greater than 10%, due to the impact of the tapers that are used in the calculation of the benefit entitlement.
- Currently, working age claimants with pension age partners are assessed under the pension age rules. From 1<sup>st</sup> April 2013 they will be assessed under the working age rules.

3.3 The Local Government Finance Act 2012 provided the enabling powers to give the Welsh Government (WG) responsibility to make regulations in connection with the new Council Tax Reduction Schemes. WG have already agreed on a nationally defined framework scheme that will provide support at a consistent level for all claimants across Wales. Therefore, there will be no protected groups in Wales and all existing and future benefit claimants will see a reduction in their Council Tax support entitlement.

3.4 There are two sets of Regulations that have been prepared by WG, the first being the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2012 that is required to be adopted by Authorities before the 31st January 2013. The second set of Regulations are the Council Tax Reduction Scheme (Default Scheme)(Wales) Regulations 2012 which have to be implemented by Welsh Authorities if they fail to adopt the Prescribed Scheme referred to above. Both sets of regulations have to be fully operational by the 1<sup>st</sup> April 2013.

3.5 The differences between the two sets of Regulations are that the Council Tax Reduction Schemes and Prescribed Requirement (Wales) Regulations 2012 contain the following four discretionary elements:

- (i) To increase the disregard for war disablement pensions, war widows' pensions and war widowers' pensions, for both pensioners and working age.

Presently, under CTB regulations the first £10 of a weekly war disablement pension, war widows' pension and war widowers' pension are disregarded. However, local authorities have discretion to disregard up to 100% of the actual amount above the first £10. Since the 1<sup>st</sup> April 1996 Gwynedd Council, as have the majority of other Welsh Authorities, resolved to disregard 100% of the war pensions above the £10. It is estimated in

2012/13 that this disregard of war pensions will cost the Authority £30,000 in relation to Council Tax Benefit claims. This sum has already been included within the draft budget.

**This report recommends continuing to allow this local discretion within Gwynedd [recommendation 9.2.(i) ]**

- (ii) To increase the standard extended payment period of 4 weeks given to people after they return to work, when they have been in receipt of a relevant qualifying benefit for at least 26 weeks.  
There is no limit on the maximum they may be extended to, but to extend this period would have financial implications. The estimated expenditure in respect of the standard 4 week extended payments for 2012/13 is £20,000.

**This report recommends that the standard four week extended payment period contained within the Prescribed Scheme [(recommendation 9.2.(ii)] remains unaltered.**

- (iii) To increase backdates for pensioners and working age claimants from the standard three months. There is no limit on the maximum they may be extended to.

The combined cost of granting backdated Council Tax Benefit to working age claimants and pensioners for 2012/13 is estimated to be £28,000.

The current CTB Scheme only allows backdating for pensioners up to a period of 3 months, and 6 months for working age. The new Prescribed Scheme from April 2013 only allows backdating of both working age and pensioners to a maximum of 3 months. The reason being is to have a consistent approach between the two types of claimants and to reduce the costs of the Scheme.

**This report recommends that no increase in the backdate period for pensioners and working age be applied from the standard 3 months contained within the Prescribed Scheme [Recommendation 9.2.(iii) ]**

- (iv) To provide more than the minimum information prescribed as part of the notification decision procedure to claimants, if appropriate. This may be a developing issue based on the experience of the new Scheme. **[Recommendation 9.2.(iv)].**

## **4. CONSULTATION**

- 4.1 The Welsh Government has consulted on the main scheme and issued a consultation document, *Providing Support for Council Tax in Wales*, on 6<sup>th</sup> February 2012.
- 4.2 A further technical consultation document was issued on the 21<sup>st</sup> September 2012, on the draft Council Tax Reduction Scheme (Default Scheme) Regulations. The consultation period for this closed on the 17<sup>th</sup> October 2012.
- 4.3 Gwynedd Council wrote to all persons affected by the changes on the 18<sup>th</sup> of December to raise awareness and invite comments on the proposed scheme. The consultation period closes on the 14<sup>th</sup> of January and a summary of the responses will be provided prior to adoption of the scheme by full Council.

## **5. RESOURCE IMPLICATIONS**

- 5.1 Due to the reduction in Council Tax Benefit funding by UK Government and the maximum 90% liability contained within the Regulations for determination of entitlement to Council Tax Reduction for individual claimants, it is currently estimated that in 2013/14 there may be a shortfall in actual Council Tax Support expenditure which is required to be funded by the Authority (see 6.2 below).
- 5.2 The current Council Tax ICT system has to be upgraded and this has cost £59k.

## **6. RISKS**

- 6.1 The timetable for adoption and implementation of a Council Tax Reduction Scheme means that a scheme based on the current Council Tax Benefit Scheme design was the only realistic option open to local authorities in Wales.
- 6.2 The changes to the Council Tax Benefit system could result in a significant shortfall. The Council paid out £8.9m in 2011/12. If there will be a continuing increase in caseload, the forecast expenditure for 2013/14 could be around £9.2m. The final settlement included a sum of £8.1m towards the cost of the new scheme. This gives a shortfall of around £1.1m and the Council can only bill residents the equivalent of around £900k, due to the 10% maximum that has been included in the legislation. The Council could therefore effectively lose around £200k in income (depending on economic factors).

- 6.3 The Council has a statutory duty to make reasonable efforts to collect the tax from anyone deemed eligible to pay and will do so. However it is likely some of this £900k will be uncollectable and will therefore cause further pressure on the Council's bad debts provision. There will be an increase in recovery action, which will require a review of current Local Taxation staff resources. There will also be a requirement to review Benefit staff resources.
- 6.4 We are also likely to see increased demands on enquiries to the Revenues Department, debt / financial management and welfare advice centres. The Council has set up a Welfare Reform Group to co-ordinate activities and ensure that residents can obtain the relevant support. As well as all relevant Council departments, the CAB , Age Cymru, Shelter Cymru, Cartrefi Cymunedol Gwynedd, Tai Eryri, Tai Clwyd, North Wales Housing, and other key stakeholders are represented.
- 6.5 The WG has made £4.6m available nationally to aid with transitional costs but no details of how to access these funds have yet been released.
- 6.6 Additional pressures will be placed upon staff within the Revenue and Benefit Service to explain the changes to taxpayers and recover those additional sums which become payable from April 2013.
- 6.7 The need to collect council tax from all benefit claimants will result in higher collection costs, but the Council's Debt Recovery Policy will be reviewed in order to maximise payments without recourse to bailiffs when payments are not paid on time.

## **7. EQUALITY IMPACT ASSESSMENT**

- 7.1 The Welsh Government has undertaken an Equality Impact Assessment at a national level on its proposed changes to the Council Tax Benefit system.
- 7.2 Gwynedd has also conducted a local Equalities Impact Assessment study but it must be recognised that this is a prescribed scheme with the burden being borne by all groups, i.e. notwithstanding the findings of the local Equality Impact assessment there is no discretion within the prescribed scheme to protect identified vulnerable groups within Gwynedd.

## **8. PUBLICATION**

- 8.1 The Council Tax Reduction Scheme will be published on the Council's internet and it is the intention to notify all current benefit claimants directly of the new Scheme.

## **9. RECOMMENDATIONS**

9.1 The Council is RECOMMENDED to adopt the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2012.

9.2 If it is determined that the Council adopt the prescribed scheme, the following RECOMMENDATIONS are made in relation to the four discretionary elements:

- (i) Apply a 100% disregard for war disablement pensions, war widows' pensions and war widowers' pensions, for both pensioners and working age claimants.
- (ii) That no increase in the extended reduction periods for pensioners and working age claimants be applied from the standard 4 weeks currently contained within the Prescribed Scheme.
- (iii) That no increase in the backdate period for pensioners and working age claimants be applied from the standard 3 months contained within the Prescribed Scheme.
- (iv) To enhance the process for notifying claimants of decisions, above the minimum requirements set out in the Regulations, if appropriate.