Localised Scheme of Council Tax Support to replace Council Tax Benefit

Report of the Borough Treasurer

Portfolio Holder: Cllr Jabbar (Cabinet Member for Finance, Human Resources and Strategic Partnerships)

3rd September 2012

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Purpose of Report

The purpose of the report is to propose the options available to the Council for a localised Council Tax Support Scheme to replace Council Tax Benefit from 1st April 2013 and to recommend an option to be used as the basis for consultation.

Executive Summary

Council Tax Benefit is a national means tested benefit which pays the Council for claimants who are entitled to receive it under the present national criteria. It is administered by the council on behalf of the Department of Work and Pensions (DWP).

Each billing authority must agree a localised Council Tax Support Scheme to replace Council Tax Benefit by 31st January 2013. This is a new requirement on billing authorities as part of the national review of welfare provision as set out in the Local Government Finance Bill. Government responsibility for the scheme transfers from the DWP to the Department of Communities and Local Government (DCLG). In devising their localised scheme billing authorities must protect the amount of Council Tax support provided to claimants of state pension age at the current financial level set out in the Council Tax Benefit system. Those current claimants of working age will therefore be required to fund an element of their Council Tax.
The intention of this reform is to reduce the current expenditure incurred on Council Tax Benefit by 10% nationally. For a number of reasons this national percentage reductions results in a larger impact as shown in the recommendations below. The present system which is based on claims made is to be replaced by the requirement for a billing authority to introduce its own localised Council support scheme. Should a billing authority decide not to introduce its own localised scheme then the default will be the existing scheme.

To recompense local authorities for this new responsibility the DCLG will pay local authorities a direct grant based on the national projections of the Office of Budget Responsibility (OBR) around claimant numbers and the average value of each claim.

This report sets out the options available to the Council for a localised Council Tax Support Scheme to replace Council Tax Benefit from 1st April 2013 and recommends an option to be used as the basis for consultation.

The DCLG is also introducing some technical reforms to the Council Tax system. Should the Council introduce these reforms it will generate some additional Council Tax which can be used to offset some of the financial impact from the reduction in government support towards Council Tax.

The two Parish Council’s within the Council area will be affected by the introduction of a localised council tax support scheme due to a reduction in council tax base. The council has discretion about whether it funds this shortfall or anticipates the Parish Council will precept on a reduced council tax base.

Recommendations


2. The Council agrees to utilise the extra funding it is estimated to receive from the Technical Reforms of Council Tax to offset an element of the lost grant currently reimbursed by Council Tax Benefit.

3. The Council agrees to consult on a proposed localised council tax support scheme for all applicants of working age as set out below:
   - Limiting liability for calculation of Council Tax Support to the Band A rate of Council Tax
   - Following calculation of liability as above applying a baseline reduction of 25% to all working age awards of Council Tax Support
   - Removal of second adult rebate and
   - Views are sought on the proposed scheme as it affects the vulnerable

4. The Council considers as part of the budget setting process how it may address the shortfall in parish council precept.
Localised Scheme of Council Tax Support to replace Council Tax Benefit

1 Background

Changes to the present Council Tax Benefit System

1.1 As part of its review of welfare provision, the Government announced its intention to transfer responsibility for Council Tax Benefit (CTB) from the Department of Work and Pensions (DWP) to the DCLG from 1st April 2013.

1.2 CTB is a means tested national benefit administered by billing authorities on behalf of the DWP, it is received by:

- Pensioners in receipt of pension credit
- Pensioners who are assessed on the basis of their income, capital and assets excluding their property.
- Those of working age on passported benefits such as Income Support, Job Seekers Allowance (Income based) and Employment Support Allowance (Income based).
- Those of working age in employment on low incomes.
- Those of working age on disability benefits.

1.3 The Council reclaims funding on the basis of the actual CTB granted and this is subject to an annual external audit review. The DCLG’s aim was to save 10% of the current spend on Council Tax Benefit from 2013-14. For England and Wales this equates to a £420m reduction in overall central government support. The DCLG intends to delegate this responsibility to individual billing authorities with the requirement for them to introduce a localised Council Tax Support Scheme.

1.4 The Local Government Finance Bill was introduced to the House of Commons in December 2011 and set out the following:

- Each billing authority must agree a council tax support scheme by 31st January 2013 to enable a scheme to be introduced by 1st April 2013.
The localisation of support for council tax is taking place within a wider programme of welfare reforms intended to help people back into work. There are certain low income groups such as pensioners, whom the Government does not expect to work to increase their income.

The Government stated its commitment to ensure that local authorities continue to provide support for the most vulnerable in society, specifically pensioners.

In relation to working age taxpayers, the Government intends that in the future support should be offered in the form of council tax reductions, according to criteria set by local authorities.

The Bill includes powers for the Secretary of State to make requirements to individualised localised schemes. The Government intends to use these powers to ensure reductions are provided for pensioners.

Support for pensioners will be delivered through a national framework of criteria and allowances. This is to ensure that pensioner council tax support is not reduced as a result of the introduction of this legislation.

A billing authority must consult before introducing a scheme and must consult each time it plans to revise the scheme.

1.5 On 8th March 2012 the Welfare Reform Act received Royal Assent. This Act contains provisions for the abolition of CTB from 1st April 2013 and proposal to introduced Local Council Tax Support were contained within the Local Government Finance Bill. This bill is due to be enacted in the autumn 2012.

1.6 In recognition that the legislation has not been enacted the government has produced a number of statements of intent which provide guidance for billing authorities developing localised council tax support schemes.

**Technical Reforms of Council Tax**

1.7 Also within the Local Government Finance Bill there are proposals to introduce some Technical reforms to the present system of Council Tax. These are:

a) Local discretion to introduce a charge for Council Tax where major renovation of a property is ongoing meaning the taxpayer cannot live in the property.

b) Local discretion to charge for an empty property which has been empty for less than 6 months.

c) Local discretion to charge a premium of 50% on top of the Council Tax currently charged if a property has been empty for more than 2 years.

d) Abolition of the second homes discount for Council Tax.
2 **Current Position**

2.1 For 2011-12 the actual amount of benefit paid and subsequently reclaimed by the Council totalled £22.3m, estimated to rise to £22.5m in 2012-13. This funded £19.4m of council services and £2.9m of the police and fire service costs via the Council’s Collection Fund. The reimbursement is accounted for in the Collection Fund which is a statutory account maintained by the Council in its role as the billing authority. The Collection Fund should remain neutral over the long term with any surplus/deficits being paid out or recovered from the following financial year’s budget.

2.2 Under the revised arrangements the DCLG will pay the Council and the major precepting authorities (Police and Fire Authority) a direct grant to meet costs previously funded from CTB. This changes the financing from a system reimbursing per person on the basis of entitlement to a fixed grant that is non-ring fenced. The Government has provided further indicative grant values based on the Office for Budget Responsibility’s forecast CTB expenditure in 2012-13. This forecasts revised reductions in both claimant numbers and average claim amounts. The Council’s indicative grant is now estimated to be £17.047m. It will therefore not be a requirement to account for the grant via the Collection Fund. This is a reduction of £2.657m direct support to the Council and £0.388m for the preceptors. This means an overall reduction in funding as estimated at present levels of £3.044m.

2.3 To reduce the impact of this funding reduction, it is proposed that additional income generated through technical reforms of Council Tax on empty properties and second homes which is estimated to be £1.044m be used to reduce the total impact on benefit claimants to £2m.

2.4 The initial view was that the two Parish Councils in our area would not be affected by the requirement to introduce a localised Council Tax Support Scheme. However, information recently received by the Council indicates that the Council Tax Support Scheme will impact on the council tax base on which they precept. The billing authority has the discretion to either fund this or pass on the impact direct to the parish council. Should the council decide not to fund this reduction in council tax base the estimated reduction in the amount of precept for the two parishes is between £10,000 and £20,000.

2.5 The impact on individuals within the community will be significant; potentially up to 16,814 people will receive less benefit. To collect £2m the average benefit would reduce by £2.29 per week (£119 per annum).

2.6 This new arrangement will introduce a new element of risk to the Council, the major precepting authorities and the residents of Oldham. Due to the reduction in funding and the current parameters set for designing the scheme, if implemented some council tax payers of working age who have previously had their council tax met in full are likely to be required to pay at least part of their Council Tax and those who currently receive some benefit will see the amount
reduced. In terms of collection rates and bad debts this has the potential to be challenging for billing authorities. Thus effectively the £2m additional cost to these benefits recipients will have to increase above this because of the need to allow for non payment of some of this cost.

2.7 Indications are that only 60% of Council Tax charges will be collected from those eligible for benefit and an analysis of the Council’s current CTB claimant circumstances estimates an average collection rate of 40%. Other Local Authority proposals highlight wide variances in the forecasted collection rates from as low as 30% to as high as 92%. For the purposes of this report, a collection rate between the Council’s local circumstances and other information has been used, this being a collection rate of 50%.

2.8 Assuming a 50% collection rate, the amount to be collected is likely to increase to £4m. The average impact on individuals could, therefore, rise to £4.58 per week (£238 per annum).

2.9 The DCLG have recently produced a number of documents which provide guidance in relation to funding arrangements, taking work incentives into account and local authority duties in relation to vulnerable people. Whilst these documents are guidance and not law, there is still a very heavy emphasis on what we “might want to consider” in designing a scheme.

 Guidance on treatment of vulnerable groups; Local authorities already have defined responsibilities in relation to, and awareness of, the most vulnerable groups and individuals other than pensioners in their areas. This includes the Child Poverty Act 2010 (which imposes a duty on local authorities and their partners to reduce and mitigate the effect of child poverty in their local areas), the Disabled Persons (Services, Consultation and Representation) Act 1986, Chronically Sick and Disabled Persons Act 1970 (which both include a range of duties relating to the welfare needs of disabled people), and the Housing Act 1996 (which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups)

It is proposed that in designing and consulting on our scheme that we:

- Develop a scheme summary that explains clearly what the proposed changes are.
- Ensure that all scheme documents are written in consistent language and that glossaries are provided to help people understand technical language where it is necessary to use it.
- Ensure that our consultation documents are clear enough to enable people to understand what is happening so they can give their view in an informed manner.

The Council has in designing the proposed scheme looked at protecting the vulnerable groups outlined in the guidance. However it has found that to protect these vulnerable groups would have a disproportionate financial impact on all those of working age not classed as vulnerable.
These findings have been factored into our proposed design (see para 4.7).

- **General principles of supporting work incentives:** The Government’s welfare reform agenda, including this reform, are based on clear principles. These are:
  - People should get more overall income in work than out of work
  - People should get more overall income from working more and earning more
  - People should be confident that support will be provided whether they are in work or out of work, and will be timely and correct.

Localisation of support for council tax is part of a wider set of changes to reform the welfare system aimed at using resources more effectively and improving incentives to work. This should reduce worklessness, dependency on benefits and costs to the taxpayer.

Localisation is intended to give local authorities a financial stake in the provision of support for council tax, an incentive to move local taxpayers into work and reduce dependency on support. Local authorities will therefore be encouraged by the Government to develop support schemes which support the work incentives.

In order to address this issue and ensure that the Council is as compliant with the requirements as possible options we propose to implement to address this include:

i) Continuing with Extended payments or “Run-ons”:- where the claimant or their partner is in receipt of certain benefits for at least 26 weeks and they return to work, increase their earnings or increase their hours and that improvement in their situation is expected to last five weeks or more). They will continue to receive Council Tax support calculated as if they were still in receipt of these benefits for four weeks. This is intended to ease the transition from benefits to work by creating certainty of payments and bridging a gap until the claimant receives their first wages from employment or from increasing their hours.

ii) Allowing claims to be made in advance of an event that may entitle a claimant to Council Tax Support. For changes in circumstances the application can be made up to 13 weeks in advance and in the case of a change in Council Tax liability such as a change of address it would be 8 weeks prior. This allows claimants to plan and prepare for changes and may encourage some claimants to take up short term employment opportunities

iii) Retaining “information stubs” about claimants for a fixed period after eligibility is lost. This will allow a claimant to quickly and easily
reclaim benefit within a specified period of their previous claim provided there has been no change in their circumstances. This can be used to support claimants who are able to take up short term employment contracts.

iv) Disregards: the current calculation of all means tested CTB includes standard disregards on earning these are £5 for a single person, £10 for a couple, £20 for certain disabled people and £25 for lone parents. This means that the amounts stated are excluded when calculating the claimant’s income for benefit purposes.

- **Impact of the introduction of Universal Credit (UC);** Oldham is one of four Pathfinder authorities in the area who will introduce UC to a small number of claimants from 29th April 2013, this is ahead of the national role out which begins in October 2013. UC will bring together different forms of income related support and provide an integrated support for people claiming in and out of work benefits. We have recently begun planning sessions with the DWP for the Pathfinder and over the coming months will ensure that we use the information we have available to support the development of the local Council Tax Support Scheme. Though the full impact of UC will not be immediately clear until the full roll out commences in October 2013 and thus we may need to amend our scheme in future years.

- **Data Sharing:** a paper has been produced which confirms the intention that local authorities can share data with the DWP and National Fraud Initiative to investigate fraud

- **Default Scheme:** a paper has been produced which confirms that if a local authority fails to adopt a localised council tax support scheme by 31st January 2013 then the present system of Council Tax Benefit will become the default scheme, this will require the authority to find the difference in funding.

### 3.0 Issues outstanding with the DCLG

3.1 Whilst the DCLG have provided some additional guidance there are still a number of areas where guidance is still expected. Thus billing authorities will have to consult on their draft schemes in advance of all guidance being provided. Hence the Council is continuing to proactively take action to address where it can the issues raised

- **Appeals:** The taxpayer will receive a Council Tax demand notice which will set out how the Council Tax bill amount has been calculated, including the information used to calculate the amount of any Council Tax Support awarded. Local authorities will be required to inform recipients of support how they can appeal if they disagree with the Council Tax bill amount.
Local authorities will be required to follow the statutory procedures set out in section 16 of the Local Government Finance Act 1992 which requires the billing authority to review each appeal and explain the steps they have taken in the process.

The Government has indicated a desire for a single appeals process for Council Tax and that the appeal arrangements are clear to the taxpayer. In the response to the consultation the DCLG intimated that the Valuation Tribunal and the Ministry of Justice who are working to establish a unified tribunal system would determine the impact of the appeal arrangements.

As at the date this report is produced there has been no further information on this. Local authorities have highlighted there concerns that the number of appeals may increase with the introduction of local schemes. They have also expressed the opinion that a national appeals process will be challenging to implement because of variations in local schemes and the need for the appeals body to have expertise in means testing.

4.0 What does this mean for Oldham?

4.1 This section of the report seeks to highlight what the changes might means for Oldham. The following table sets out the current number and percentages of CTB recipients on Oldham

<table>
<thead>
<tr>
<th>Type of Recipient</th>
<th>Number</th>
<th>%</th>
<th>Protected from Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elderly</td>
<td>10,786</td>
<td>39%</td>
<td>Yes</td>
</tr>
<tr>
<td>Working age - passported benefits</td>
<td>11,008</td>
<td>40%</td>
<td>No</td>
</tr>
<tr>
<td>Working age – other</td>
<td>5,806</td>
<td>21%</td>
<td>No</td>
</tr>
<tr>
<td>TOTAL</td>
<td>27,600</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Overall the introduction of a local support scheme has the potential to impact upon 16,814 recipients within the Borough.

4.2 The following table identifies the Council Tax bands, the average benefit levels and the number of claimants who could be impacted by reductions in support. The average benefit figures are taken from a model developed by the software provider responsible for CTB which uses a copy of the live CTB data.
<table>
<thead>
<tr>
<th>Band</th>
<th>Oldham</th>
<th>Saddleworth</th>
<th>Shaw and Crompton</th>
<th>Numbers affected</th>
<th>Average annual benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>A</td>
<td>1,028.55</td>
<td>1,041.45</td>
<td>1,038.24</td>
<td>13,606</td>
<td>778.40</td>
</tr>
<tr>
<td>B</td>
<td>1,199.98</td>
<td>1,215.03</td>
<td>1,211.29</td>
<td>1,859</td>
<td>894.22</td>
</tr>
<tr>
<td>C</td>
<td>1,371.40</td>
<td>1,388.60</td>
<td>1,384.32</td>
<td>942</td>
<td>1,050.75</td>
</tr>
<tr>
<td>D</td>
<td>1,542.83</td>
<td>1,562.18</td>
<td>1,557.37</td>
<td>297</td>
<td>1,170.50</td>
</tr>
<tr>
<td>E</td>
<td>1,885.68</td>
<td>1,909.33</td>
<td>1,903.45</td>
<td>78</td>
<td>1,425.93</td>
</tr>
<tr>
<td>F</td>
<td>2,228.54</td>
<td>2,256.49</td>
<td>2,249.54</td>
<td>24</td>
<td>1,735.88</td>
</tr>
<tr>
<td>G</td>
<td>2,571.38</td>
<td>2,603.63</td>
<td>2,595.61</td>
<td>6</td>
<td>2,197.23</td>
</tr>
<tr>
<td>H</td>
<td>3,085.66</td>
<td>3,124.36</td>
<td>3,114.74</td>
<td>2</td>
<td>613.22</td>
</tr>
</tbody>
</table>

4.3 Following consultation with members, AGMA authorities and consideration of local needs, the proposed scheme will:

- Provide a level of support equivalent to the direct grant from the Government.
- Utilise income from Council Tax technical reforms such as charging for empty properties (previously exempt from charges) and removing the discount provided for second homes to lessen the burden on current CTB claimants.
- Limiting liability for calculation of benefit to the Band A rate of Council Tax.
- Applying a percentage baseline reduction to all awards.
- Abolishes second adult rebate.

4.4 It is estimated that the Council Tax technical reforms will generate an additional £1.044m. With an estimated collection rate of 50%, we forecast a reduced support for current CTB claimants of £4m which would equate to a 25% baseline reduction (after limiting to a Band A rate of Council Tax). In developing the proposals consideration will be given to developing a process which rewards those council tax payers who are required to pay for the first time that pay the amount requested under the new scheme.
4.5 The table below summarises the estimated impact on working age claimants (pensioners are protected and therefore excluded from the following analysis) under the proposed scheme.

<table>
<thead>
<tr>
<th>Band</th>
<th>Claimants (working age only)</th>
<th>Current benefit scheme costs (£m)</th>
<th>Local CT Support scheme (£m)</th>
<th>Reduction in support (£m)</th>
<th>Average reduction in support per annum (£)</th>
<th>Average reduction in support per week (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>13,606</td>
<td>10.589</td>
<td>7.948</td>
<td>2.642</td>
<td>194.16</td>
<td>3.73</td>
</tr>
<tr>
<td>B</td>
<td>1,859</td>
<td>1.662</td>
<td>1.049</td>
<td>0.613</td>
<td>329.97</td>
<td>6.35</td>
</tr>
<tr>
<td>C</td>
<td>942</td>
<td>0.990</td>
<td>0.539</td>
<td>0.451</td>
<td>478.95</td>
<td>9.21</td>
</tr>
<tr>
<td>D</td>
<td>297</td>
<td>0.348</td>
<td>0.162</td>
<td>0.185</td>
<td>623.41</td>
<td>11.99</td>
</tr>
<tr>
<td>E</td>
<td>78</td>
<td>0.111</td>
<td>0.042</td>
<td>0.069</td>
<td>883.73</td>
<td>16.99</td>
</tr>
<tr>
<td>F</td>
<td>24</td>
<td>0.042</td>
<td>0.013</td>
<td>0.028</td>
<td>1174.95</td>
<td>22.60</td>
</tr>
<tr>
<td>G</td>
<td>6</td>
<td>0.013</td>
<td>0.003</td>
<td>0.010</td>
<td>1705.07</td>
<td>32.79</td>
</tr>
<tr>
<td>H</td>
<td>2</td>
<td>0.001</td>
<td>0.000</td>
<td>0.001</td>
<td>581.76</td>
<td>11.19</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16,814</td>
<td>13.757</td>
<td>9.757</td>
<td>4.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.6 Further analysis of the impact on individuals is available in the following appendix – Council Tax Band impact (Appendix 2)

4.7 As outlined in paragraph 2.9 the Council is required to consider the impact on vulnerable groups. We have forecast the amount it would cost to protect these groups at their current rate of benefit and these have been considered in designing the final scheme. It should be noted that there will be some overlaps within these groups.

<table>
<thead>
<tr>
<th>Group</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1   Disabled</td>
<td>500</td>
</tr>
<tr>
<td>2   Severe Disability Premium</td>
<td>165</td>
</tr>
<tr>
<td>3   Enhanced Disability Premium</td>
<td>180</td>
</tr>
<tr>
<td>4   Carers</td>
<td>155</td>
</tr>
<tr>
<td>5   Children with disability</td>
<td>120</td>
</tr>
<tr>
<td>6   Children under 5 (lone parent)</td>
<td>410</td>
</tr>
<tr>
<td>7   Children under 5 (couple)</td>
<td>470</td>
</tr>
<tr>
<td>8   Family with 3 children or more</td>
<td>255</td>
</tr>
<tr>
<td>9   Family with 1-2 children</td>
<td>725</td>
</tr>
<tr>
<td>10  Children (students)</td>
<td>110</td>
</tr>
</tbody>
</table>

4.8 If the Council chose to protect disabled and carers (groups 1 to 4) this would cost £1m and to protect those with children (groups 5-10) this would costs £2.09m. This would mean that those claimants of working age not classed as vulnerable would be impacted by the % reductions outlined below restricted to a Band A property.
<table>
<thead>
<tr>
<th>Protection Options</th>
<th>Financial Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>No groups protected</td>
<td>25%</td>
</tr>
<tr>
<td>Protect all disabled groups</td>
<td>33%</td>
</tr>
<tr>
<td>Protect claimants with children under 5</td>
<td>31%</td>
</tr>
<tr>
<td>Protect all disabled groups and children under 5</td>
<td>38%</td>
</tr>
<tr>
<td>Protect severely disabled and disabled children</td>
<td>26%</td>
</tr>
<tr>
<td>Protect lone parents with children under 5</td>
<td>29%</td>
</tr>
<tr>
<td>Protect severely disabled, disabled children and lone parents with children under 5</td>
<td>32%</td>
</tr>
</tbody>
</table>

5. **Approach of AGMA**

5.1 There was initial discussion amongst the Association of Greater Manchester Authorities (AGMA) about individual Council’s plans. In terms of the principles to adopt in the design of a localised scheme the initial ideas considered are set out below with an estimate of the financial impact to individual benefit recipients of these proposals. A table below in paragraph 5.2 provides the financial impact on Oldham:

- 1(a) & (b) limit financial support to a maximum of either a Band A or B or property.
- 2 Limit the initial level of financial support to those of working age to those with savings of less than £3,000 as against the £16,000 used in the present national scheme.
- 3 (a), (b) & (c) Provide support at a percentage reduced from the present level of 100%.
- 4 Increase non dependent charges by a standard amount such as £2.
- 5 Remove second adult rebate – this is an alternative rebate to main Council Tax Benefit for people who only get a small amount of main benefit or who do not qualify for main Council Tax Benefit at all. It is payable because someone who lives with them (who is not a partner) is on a low income.
- 6 Include previously disregarded income such as child maintenance, war pensions and war widow’s allowance.

5.2 Initial modelling indicates that these options would have the following impact in this Council on those of working age if it could guarantee collection of the extra Council Tax levied at 100%:
<table>
<thead>
<tr>
<th>Option Number</th>
<th>Option</th>
<th>Number of claimants affected</th>
<th>Extra Council Tax to collect (£)</th>
<th>Impact on average benefit recipient per week (£)</th>
<th>Impact on average benefit recipient per annum (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (a)</td>
<td>Limit financial support to a Band A Property</td>
<td>3,210</td>
<td>761,749</td>
<td>4.56</td>
<td>237</td>
</tr>
<tr>
<td>1 (b)</td>
<td>Limit financial support to a Band B Property</td>
<td>1,351</td>
<td>300,930</td>
<td>4.29</td>
<td>223</td>
</tr>
<tr>
<td>2</td>
<td>Limit the initial level of financial support to those of working age with savings of less than £3k</td>
<td>347</td>
<td>287,233</td>
<td>15.92</td>
<td>828</td>
</tr>
<tr>
<td>3 (a)</td>
<td>Reduce current support by 20%</td>
<td>16,814</td>
<td>2,990,910</td>
<td>3.42</td>
<td>178</td>
</tr>
<tr>
<td>3 (b)</td>
<td>Reduce current support by 40%</td>
<td>16,814</td>
<td>5,905,445</td>
<td>6.75</td>
<td>351</td>
</tr>
<tr>
<td>3 (c)</td>
<td>Reduce current support by 60%</td>
<td>16,814</td>
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<td>Increase non dependent charges by a standard amount (£2)</td>
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<td>Remove 2nd adult rebate</td>
<td>158</td>
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<td>4.75</td>
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<tr>
<td>6</td>
<td>Remove disregards: Child Maintenance</td>
<td>3813</td>
<td>899,088</td>
<td>4.54</td>
<td>236</td>
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</table>

5.3 The individual authorities within AGMA are currently considering the options available to them. Options being considered and put forward include:

- Financing the shortfall in DCLG grant with a contribution from reserves.
- Using additional income generated from Council Tax on empty properties and second homes.
- Passing on all the reduction in funding onto claimants by introducing a localised scheme.
- Assuming much higher collection rates than our council’s assumptions at 50%.

5.4 A number of the AGMA authorities expect to finalise their proposals in the next few weeks with a view to commencing public consultation in the next few months. It has been possible to ascertain that so far only Trafford, Tameside and Manchester have begun public consultation. From a review of the public consultation documents produced by these authorities it is believed the following schemes are planned:

- Trafford is consulting on implementing two options. Option 1 has a number of proposed changes including abolishing the second adult rebate, restricting benefit awards to above £5 per week, restrict support to a Band D property, abolish backdating, increase the income taper, include child benefit as income to calculate the entitlement, reduce the level of support...
the more adults who reside in the property. Option 2 is a straight reduction of 20% (i.e. restricts council tax support to 80%) for those of working age.

- Manchester is consult on implementing a scheme which restricts the council tax support to 85% of the current scheme.
- Tameside is consulting on four options, which incorporate some of the options included at 5.2 this suggests that in some instances support could be reduced by as much as 73%.

6.0 Nationally

6.1 Indications nationally are that the majority of billing authorities are planning to implement amendments to the present scheme at a level of reduced percentage support to those of working age in 2013-14. This will give them a better rationale to understand the impact on collection rates. Should assumptions on collection rates not be as planned there will be a need for a number of billing authorities to refine schemes in the first few years, after the initial introduction. There is a realisation that the assumptions in the indicative grant allocation that nationally claimant numbers will fall, are not being matched by reductions for many authorities in actual claimant numbers. The potential estimated shortfall is funding is now recognised by a number of authorities to be greater than the headline 10% initially estimated. This is confirmed in the indicative grant allocations produced by the DCLG for planning purposes.

6.2 Many authorities have already begun their consultation on their proposed schemes. These include:

a) Brent, Bradford and Rotherham who are proposing a flat rate reduction of 20% to all claimants of working age.

b) Exeter are proposing a flat rate reduction of 30% to all claimants of working age.

c) Enfield are consulting on four options; option 1 is a flat rate reduction of £300 for all working age claimants irrespective of the size of property they live in, option 2 is to reduce each working age claim by 30%, option 3 is to reduce the claims by 17.5% for those on working tax credit, option 4 is no change in benefits for claimants in band A-C properties, a 50% reduction in band D properties and no benefit in band E to H properties.

d) Bath and North East Somerset are proposing to reduce the maximum eligible amount to 78% of council tax currently paid. Support will be capped at a band D property. Child benefit and child maintenance will included as income (they are currently disregarded).

e) Colchester is proposing to pay a minimum of 20% of their council tax bill and take income into account from child benefit and maintenance payments.
f) Kirklees who are proposing a 29% reduction for all those of working age with protection for vulnerable adults of working age.

7.0 Consultation and Communication

7.1 The changes required and the consequences on many individuals within the borough are such that a major consultation and communication exercise is planned to support the consultation. It is very likely that there will be little public awareness of the proposal or its potential impact.

7.2 As a consequence a summarised communications and engagement strategy is being worked up and is enclosed at Appendix 1. This is supported by a detailed strategy which covers:

- Communications Objectives
- Stakeholders and Audiences
- Key Messages
- Branding and Identity
- Internal Communication
- Consultation and Stakeholder Engagement
- Media Relations
- Community Relations
- Channels of Communications
- Managing Communications
- Issues and Crisis Management
- Photography
- Monitoring and Evaluation
- Budget and Resource

7.3 If the intention is to inform and consult on this proposal then a plan of action is being drawn up to take effect from September 2012 involving all Council Tax payers, consultation through various mediums including Member and officer briefings, website information, press releases, use of Borough Life, correspondence, work through VAO with affected groups, District Partnerships etc.

8.0 Equality Impact Assessment Completed

8.1 In taking financial decisions the council must demonstrate that it has given “due regard” to the need to eliminate discrimination, promote equality of opportunity and promote good relations between different groups.

8.2 Therefore, a key consideration in the final design of any scheme is that the Council has shown due regard to the removal or reduction of any adverse impact on these groups protected by law under the Equality Act 2010. In Oldham this will also include any impact on those on low incomes and other vulnerable groups that may emerge during the process.
8.3 In order to identify potential impacts we plan to undertake the following to inform any decision:

- A full equality impact assessment.
- 12 week consultation on the proposed scheme.

8.4 The proposed scheme has the potential to have a disproportionate adverse impact on a number of groups and as a result the Council is currently undertaking a detailed Equality Impact Assessment. This document will be used to determine the impact of the proposed scheme and recommend alterations where appropriate. It will also be submitted with the papers to Cabinet when the final scheme design is agreed in order to inform the decision.

9.0 ICT Systems

9.1 Work is currently ongoing with Capita, the current software suppliers to ascertain the changes they are undertaking to the application, with a view that the software provider’s solution will allow Oldham’s Localised Council Tax Benefit scheme to be administered within the existing amended product. Whilst it is a considered view that Capita’s solution will cater for the administration of Oldham’s scheme, as government has not yet fully determined and issued the final guidance and regulations. Capita are still exploring options and indeed are changing their solution on a regular basis. This is therefore a constantly evolving situation, nevertheless we are fully engaged with:

- the software supplier, and
- the Unity Exchequer team who will be required to deliver the new system

9.2 Whilst the scheme has to be finalised by 31st January 2013 it is also envisaged that the final Capita product will not be delivered until January 2013 therefore an alternative method of delivery needs to be considered as a back stop in case the Council scheme and the software cannot be made to work in the time available. To mitigate the impact on the Council, Unity ICT and Unity Exchequer Services are currently investigating options for developing a localised solution should Capita’s final version system not deliver the Council’s full requirements.

9.3 Other options are currently being/ have been investigated should Capita’s system fail to deliver the Oldham requirements. At this stage there are two back up solutions being actively pursued.

Option 1

The solution would be to use the Capita solution to calculate the benefit as per the current solution and then instead of posting this amount to the council tax account, ICT would intercept the data and apply the localised rules. As a result of this the benefit amount would be reduced, where applicable, and this amount
would then be posted to the council tax account. Unity ICT has developed this solution and this is undergoing extensive testing ensuring that:

- the amounts are calculated correctly
- the posting of the amounts back into the council tax system maintains the integrity of this.

**Option 2**

This solution involves Exchequer Services manually posting the Localised Council Tax Support amount into the Capita solution and then testing the integrity of the system- that is all awarded amounts, payment profiles etc are correct.

10 Options/Alternatives

10.1 **Option 1** - The Council consults on a proposal that it implements a scheme that contributes the estimated additional £1.044M income it will generate from Council Tax Technical Reforms and pass on a total of £4.00M reduction onto benefit claimants of working age.

- This would involve a localised scheme which limits liability for the calculation of council tax support to the Band A rate of Council Tax.
- Applying a 25% baseline reduction to all awards for all claimants of working age.
- Abolishes second adult rebate.

10.2 **Option 2** - The Council consults on a proposal that it implements a scheme that does not contribute the additional £1.044M from the Council Tax Technical Reforms and pass on a total of £6.089M reduction onto benefit claimants of working age.

- This would involve a localised scheme which limits liability for the calculation of council tax support to the Band A rate of Council Tax
- Applying a 41% baseline reduction to all awards for all claimants of working age
- Abolishes second adult rebate.

10.3 **Option 3** - The Council consults on a proposal that it implements a scheme based on the default scheme which provides benefits at the present level. This would require the council to set aside a further £2.67m in the 2013-14 budget

- There would be no change to the present system.
11. **Preferred Option**

11.1 The preferred option is for the council to consult on Option 1 and seek views on the impact on the vulnerable. It is affordable within the present assumptions made in the council setting its budget and provides some protection to those affected by utilising the technical reforms to council tax. It is recommended that this option forms the basis of the consultation.

12. **Consultation**

12.1 To support the implementation of a localised Council Tax Support Scheme a full consultation exercise will be undertaken. This will consist of targeted consultation and communication to affected groups and a wider borough wide consultation approach.

12.2 We will be offering an online calculator on our website which will allow benefit claimants to input their personal details and find out the impact of the proposed changes. For those residents not able to access the site Contact Centre and Access Oldham will be able to undertake the assessment on their behalf.

12.3 A draft communications and consultation plan has been developed. This will be consulted upon in detail prior to the production of the draft scheme. It is attached as Appendix 1 to this report. (Shelley Kipling)

13. **Financial Implications**

13.1 Dealt with throughout the report.

14. **Legal Services Comments**

14.1 A constitutional change was approved at Council on 11\textsuperscript{th} July 2012 enabling Council to delegate to Cabinet the establishment of a local council tax support scheme. This assumes the Local Government Finance Bill 2011, as amended, being passed as statute by Parliament so that the authority has more flexibility to deal with difficulties in timing of decision making posed by the government’s timetable.

14.2 As the legislation will in future oblige the Council to consider whether to change its scheme before 31 January of each year arrangements should be made to ensure that this happens, whether by Cabinet or full Council.

14.3 The Council when establishing a local scheme will have to follow guidance from government around providing for vulnerable people. This will certainly include protection for people of pensionable age on a means-tested basis but as yet it remains unclear whether other vulnerable groups will have such protections. Alongside this, under the Equality Act 2010 the council has a duty to have due regard in the exercise of its functions to the need to eliminate
discrimination; advance equality of opportunity between persons who share a relevant protected characteristic and persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it. An equality impact assessment is not a legal requirement but it is recognised as an effective way of ensuring and demonstrating compliance with requirements.

14.4 The council’s consultation on the proposed scheme must take place at a formative stage i.e. before a decision has been made. It is not possible to rule out the need for further consultation in response to government guidance published after our first consultation. The consultation requirements in the legislation, when passed, will state:

1) Before making a scheme, the authority must (in the following order)—
   a) consult any major precepting authority which has power to issue s precept to it,
   b) publish a draft scheme in such manner as it thinks fit, and
   c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

2) The fact that this paragraph was not in force when any step described in sub-paragraph (1) was taken is to be disregarded in determining whether there has been compliance with that sub-paragraph.

14.5 Government guidance says that consultation periods should normally be 12 weeks, but in a Statement of Intent government has indicated that due to budgetary cycles this may not be possible for council tax localisation. It will not be possible to consult for 12 weeks with major precepting authorities, then for another 12 weeks with others. Therefore we should allow as much time as we can but give in consultation documentation a clear explanation of why we have decided the dates of our consultation period. The responses to all consultation must be considered before a decision is made.

14.6 There have been various concerns around the legislation being prepared by government for example the means by which authorities and government can share data, authorities’ powers to prosecute offences relating to council tax, and the appeals process that will be needed. Officers are endeavouring to gather more information and where appropriate making representations to government and gradually the picture is becoming clearer. On prosecutions, government has stated that it will pass legislation that in effect mirrors all existing offences. We have also learned that powers to enable the sharing of data, for example with the Department of Work and Pensions, will be created. The appeals process could become cumbersome as the tribunal will have to hear appeals under many different schemes. (Bill Balmer)

15. Cooperative Agenda

15.1 None
16. Human Resources Comments

16.1 None

17 Risk Assessments

17.1 A detailed risk register has been prepared by the project team overseeing the development of a localised scheme. It is updated on a monthly basis and discussed with the working group overseeing the project. (Mark Stenson)

18. IT Implications

18.1 ICT are engaged with Capita the current software suppliers to ascertain the changes the software supplier are undertaking to the application, with a view that the software providers solution will allow Oldham’s local Council Tax Support scheme to be administered within the existing amended product.

18.2 Within the Risk Register the failure of Capita to provide a solution which incorporates all the features required of a Council based scheme is currently classed as high risk. This is based upon early correspondence from Capita on their initial response to Council’s of their intentions to develop their product for a localised council tax support scheme and feedback of their latest intentions following discussions with user groups and individual clients. As such the Council is exploring the possibility of developing a contingency arrangement as detailed in paragraph 9.1 – 9.3. This should give the Council the maximum flexibility to implement a local council tax discount scheme. (Mark Stenson)

19 Property Implications

19.1 None

20 Procurement Implications

20.1 None.

21 Environmental and Health & Safety Implications

21.1 None.

22 Equality, community cohesion and crime implications

22.1 See paragraph 8
23  Equality Impact Assessment Completed?
23.1 Yes (see paragraph 8)

24  Key Decision
24.1 Yes

25  Forward Plan Reference
25.1 PSC-14-12

26  Background Papers
26.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Localising Council Tax Support
Name of File: Localising Council Tax Support
Records held in Performance, Services and Capacity, (Borough Treasurers)
Officer Name: Mark Stenson
Contact No: 0161 7704783

27  Appendices
27.1 1 Communications and Consultation Plan
2  Council Tax Band impact
Appendix 1 – Outline communication and consultation approach

This communication approach outlines the activity which Oldham Council will undertake to engage, consult and communicate the proposed local changes to Council Tax Benefit (CTB).

The Communications approach aims to ensure that:

1) All residents-particularly those directly affected by the changes to Council Tax Benefit- are fully informed about:
   - Why changes are being made
   - How they will be implemented
   - How this will affect them

   And that they have the opportunity to feedback on the proposed structure and the potential impact it will have on them and their families.

2) All interest groups, community groups and key voluntary organisations, are fully informed about the changes to Council Tax Benefit and are also given the opportunity to have their say on the proposed scheme.

3) All internal audiences are fully informed about the progress of the project and the implementation of the changes. This will ensure that the messages communicated to residents are consistent and clear.

Consultation Approach

It is proposed to undertake two consultations with these stakeholder groups:

1) **A General Consultation**: Open to all Oldham residents- but mainly intended for residents who will not be directly affected by the proposed changes.

   This will be delivered primarily online through the Consultation Portal but with paper copies also available in key Oldham Council buildings.

   This consultation will seek feedback on the proposed scheme for localised council tax benefit and what they feel will be the impact of those proposals.

   This consultation will be promoted using press coverage, the council’s website, council publications and social media.

   As claimants over pension age will not be affected by the changes to council tax benefit they will be invited to take part in this general consultation. All claimants over pension age will receive an individual letter informing them that they are not impacted by these changes.

2) **A Specific Consultation** with current Council Tax Benefit claimants who would be directly affected by proposed changes.
This will be delivered through a combination of postal and online methods. The consultation will seek feedback on the proposed scheme and the potential impact on them and their families- focussing in detail on the direct impact of the proposed changes on affected residents' financial circumstances and wider wellbeing, for example:

- What will residents have to reduce spending on if changes are implemented (food, energy costs, transport, leisure activities, leisure activities for children, debt repayment, and ability to save).
- What personal impacts will the proposed changes have more generally (for example financial stress, feeling able to cope)
- Are there things Oldham Council could do to mitigate the impact of these changes.

We will write individually to all current claimants of council tax benefit enclosing an overview of the scheme, case studies showing the impact and a questionnaire for them to return (pre paid). We will also provide an online calculator on the council’s website to enable claimants to work out the exact impact of the proposed scheme on their current council tax benefit payments.

We will send a reminder within 4 weeks of the first survey to those residents who have not yet responded to the consultation. We will also encourage participation using our website, social media and through staff at the call centre and Access Oldham.

All feedback received will be used to inform the council’s final localised council tax support scheme which will be implemented from 1st April 2013.

Other communication/ consultation channels:

Community Engagement

A number of meetings, presentations, briefings and workshops will be held throughout the year related to Council Tax Localisation.

Information and messages will also be communicated via forums, meeting and one-to-ones with interested parties. This will include participation in existing meetings or forums (e.g. Voluntary Groups, Residents Associations etc.) as well as one to one meetings with specific interested parties/ stakeholders.

Presentations will also be given to District Partnerships in each area- providing an opportunity for key stakeholders and the public to hear key messages about the proposed changes to council tax benefit and provide feedback which will be fed into the consultation process.

Website

The Council website will be a key communications tool for the programme and will be updated regularly with the latest information on the project and opportunities to learn more at meetings, events and workshops. Where required, information will be
promoted on the council’s homepage to drive traffic to the Council Tax Localisation section of the website, for example, during the consultation process.

**Customer Service Staff**

As the first point of contact with residents it is vital that all Customer Service staff, both in the call centre, Access Oldham and at other customer facing locations, are able to provide accurate information and reassure residents about the impact of the programme. This will be delivered through face-to-face and written briefings at various stages of the programme.

**Council Tax bills and A-Z booklets**

In February/ March the council produces its Council Tax booklet and A-Z of services brochure. Both are distributed to all households alongside Council Tax bills and will be used to outline key messages regarding the final CTB scheme.

**Borough Life**

Oldham Council produces a quarterly newsletter for all residents which is distributed to every household in the Borough. Borough Life will be used to provide overarching messages about the changes to the scheme and to highlight the opportunities for residents to take part in consultation activity.
Appendix 2 – Council Tax Band impact

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