

EXETER CITY COUNCIL

EXECUTIVE
4 OCTOBER 2011

LOCALISING COUNCIL TAX BENEFIT - IMPLICATIONS

1. PURPOSE OF THE REPORT

- 1.1 To update Members on the Government's proposal to replace Council Tax Benefit with a local scheme and the implications that this has for the Council.
- 1.2 To provide information to enable the Council to respond by the deadline of 14 October 2011, to the consultation paper launched by the Department for Communities and Local Government (DCLG) on 2 August 2011. The consultation document is available in The Members' Room and on the internet at: [Council Tax Benefit](#).

2. BACKGROUND

- 2.1 Council Tax Benefit (CTB) is currently paid by the Department for Work and Pensions to various groups of people, but the Government is planning to devolve it to local authority level from April 2013 onwards, and reduce expenditure by 10%. On 17 February 2011 the Government published the Welfare Reform Bill containing provisions for the abolition of Council Tax Benefit, paving the way for new localised schemes.
- 2.2 CTB is a means tested benefit, administered by local authorities, which, when awarded, reduces the applicant's Council Tax bill.
- 2.3 For working age people there is a limit on savings of £16,000. Those on out of work benefits (Income Support, Jobseeker's Allowance and Employment and Support Allowance) generally receive full CTB meaning that they do not pay any Council Tax at all. Those in work or receiving other income may still get CTB, but the amount will vary depending on the household make up and financial circumstances of the applicant and any partner they have.
- 2.4 A more generous system applies to pensioners. For those claiming Pension Credit (guarantee element) there is no limit on the amount of savings they can have and they will not normally pay any Council Tax at all. Pensioners with higher incomes, not getting Pension Credit can also qualify with an income of £400 a week or more. About 60% of pensioners are entitled to CTB, but many fail to claim.
- 2.5 Localising support for Council Tax is part of a wider policy of decentralisation, to give councils increased financial autonomy and a greater stake in the economic future of their local area. The framework for local council tax support schemes will be established in a local government finance bill to be introduced in this Parliamentary session, and in regulations.
- 2.6 The localisation of support for Council Tax is taking place within a wider programme of welfare reform which is intended to help move people back into work, however there are certain low-income groups, in particular pensioners, whom the Government does not expect to work to increase their income. The Government therefore intends to protect pensioners from any change in award as a direct result of this reform and is consulting on whether other groups should similarly be protected.
- 2.7 It is intended that local authorities will establish their own local scheme by April 2013 with the expectation that the scheme should support the positive work incentives being introduced through plans for Universal Credit for people of working age.

3. THE PROPOSALS

- 3.1 Help with Council Tax will be a local authority responsibility and will not become part of Universal Credit.
- 3.2 Local authorities will receive a budget for the new system based on 10% less than current spending on CTB.
- 3.3 Support for pensioners will not be affected by this cut in spending and will remain at existing levels with existing rules.
- 3.4 Local authorities will be free to establish, subject to any restrictions set by government, whatever rules they choose for their schemes for working age people, and will administer the scheme for pensioners using national rules.
- 3.5 Central government will provide a fixed amount of money to local authorities to operate their new schemes. Unlike current arrangements, this grant will not be ring-fenced and will not vary according to demand. Local authorities will be able to keep any under spend, but will have to fund any over spend themselves.
- 3.6 Local authorities will be free to collaborate to reduce costs, develop schemes that support priorities that are shared by a number of neighbouring authorities, and manage financial risks.
- 3.7 The new system must be in place by April 2013.

4. IMPLICATIONS

- 4.1 A 10% cut in current CTB expenditure is expected to save nationally around £480 million a year. However as pensioners are excluded from the new system, in terms of the population of working age claimants, who are the only ones that can be affected by the new rules, the cut is much larger than 10%. The table below shows the expected impact for Devon. (Information sourced from "The impact of the government's proposals for replacing Council Tax Benefit" by Dr Phil Agulnik, August 2011.)

	Total number of CTB claimants	% of working age claimants	Spending on working age claimants (£ millions)	Size of budget cut (£ millions)	% cut in spending on working age claimants
Exeter	9,640	54%	£4.08	£0.75	18%
Torbay	17,980	50%	£7.50	£1.51	20%
Plymouth	27,120	58%	£11.52	£2.00	17%
East Devon	9,700	40%	£3.41	£0.86	25%
Mid Devon	5,680	44%	£2.20	£0.49	22%
North Devon	8,580	44%	£3.25	£0.74	23%
South Hams	6,420	45%	£2.63	£0.59	22%
West Devon	4,000	42%	£1.50	£0.36	24%
Teignbridge	10,310	39%	£3.67	£0.93	25%

- 4.2 However this table makes no provision for any rise in Council Tax over the next two years. The table below shows the impact for Exeter if Council Tax is increased, based on projected CTB for this year.

Groups currently getting CTB	Number of people getting benefit	Weekly Benefit	Annual CTB awarded for 2011-12	Cost of giving help equivalent to that already getting if C/Tax rises by this % over next two years		
				2.5%	3.0%	4.5%
Elderly	4,567	£73,695	£3,842,686	£4,037,222	£4,076,705	£4,196,309
Passported*	2,979	£50,037	£2,609,075	£2,741,160	£2,767,968	£2,849,175
Remainder	2,263	£29,184	£1,521,713	£1,598,749	£1,614,385	£1,661,748
Total	9,809	£152,916	£7,973,473	£8,377,131	£8,459,058	£8,707,232
2013 Council Tax Rebate budget**				£7,176,126	£7,176,126	£7,176,126
Elderly will cost	4,567			£4,037,222	£4,076,705	£4,196,309
Balance for remainder	5,242			£3,138,904	£3,099,421	£2,979,817
Cost to protect current Passported	2,979			£2,741,160	£2,767,968	£2,849,175
Balance for remainder	2,263			£397,744	£331,453	£130,642

Anyone 60 or over on 1 April 2013 is in the Elderly group no matter what their income.

*Anyone of working age getting either Income Support, Jobseeker's Allowance (IB) or Employment and Support Allowance (IR) is known as a Passported claim.

** based on £7,973,473 less 10%

- 4.3 The consultation states that pensioners will be protected and that other vulnerable groups may be too, although it doesn't specify which these groups are. From the table above it can be seen that should there be an increase in Council Tax of 2.5% each year over the next two years, if Elderly and Passported are protected, then the Council will have £397,744 left to help the remainder that are currently costing us over £1.5 million.
- 4.4 As at 7 August 2011 the Council had 11,641 live claims for Benefit of which 9,840 are entitled to Council Tax Benefit. Of those 9,840 claims, 44% are aged 60 or more and 56% under 60. Breakdown by Council Tax Band is:

Property Band	Number of CTB claimants within that band	% of total number of CTB claimants
A	3,891	40%
B	3,437	35%
C	1,824	19%
D	505	5%
E	128	1%
F	38	<1%
G	17	<1%

5. OTHER CONCERNS

- 5.1 The timetable for implementing a new scheme is too short. There is currently no information available on which to base proposals for a local scheme which will have to be in place in 18 months time.

- 5.2 Given that there is no detail available upon which new or revised software plans could be drafted, and the type of information needed by software suppliers will not be available until early 2012, with testing needing to be done by the end of 2012, there is a real danger that the software needed will not be ready in time. Indeed the Parliamentary Public Accounts Committee have recently highlighted their concern that any successful transition to Universal Credit will depend heavily on the development of a new IT system to a very tight timetable and in their experience such projects are rarely delivered to time, budget and specification. Yet the timetable for introducing a new scheme to replace CTB, and developing the software to be able to administer it is even tighter. Currently, the whole of the Council's benefit administration is managed electronically with over half the assessment staff being home workers. This raises significant issues for the Council in being able to administer a new scheme if software is not available.
- 5.3 DCLG are holding a number of consultation briefings, however they are not making any more information available, are working firmly to the April 2013 date and seem uninterested in addressing the 10% reduction by other means. For example, 35% of Council Tax households in Exeter get Single Occupier Discount, which is not means tested. Removing the Single Occupier Discount in Exeter would generate over £5 million per year. Doubling the charge for empty properties would bring revenue in as well as acting as an incentive to get these properties occupied.
- 5.4 It has not even been possible to clarify which current expenditure level will be reduced by 10%; gross expenditure (i.e. total paid out in CTB), net expenditure (i.e. total paid out less overpayments) or subsidy level (as claimant error overpayments attract 40% subsidy and local authority error overpayments 100% subsidy).
- 5.5 The Council will have to make very large savings from working age claimants to meet the Government's savings target. It could mean having to collect Council Tax from a group who currently pay nothing because they qualify for means-tested benefit like Income Support, where by definition the amount of money they have to live on is at 'safety net' levels. Collection of Council Tax from these people with little income will be difficult and potentially expensive. As Exeter has a relatively low-wage high-cost economy this could affect a significant number of people. If a lot more small amounts of Council Tax end up needing to be recovered, the Council could find itself writing-off more than it is saving.

6. RECOMMENDATION

It is recommended that the Government be informed:

- 6.1 that the current timetable is unrealistic given the lack of specific information required to design a scheme and the software necessary to administer it, which means there is a high risk of failure which has to be addressed urgently;
- 6.2 that by exempting such a large proportion of current claimants and preventing other elements of Council Tax being open to change, such as the single occupier discount, the reductions in benefit to be applied to working age claimants will be disproportionately severe.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Background papers used in compiling this report:

- The impact of the government's proposals for replacing Council Tax Benefit. Author: Dr Phil Agulrik, August 2011.