

MUNICIPAL YEAR 2012/2013 REPORT NO. 138A

MEETING TITLE AND DATE:

Council - 30th January 2013

REPORT OF:

Director of Finance, Resources & Customer Services

Contact officer and telephone number:

Stuart Dennison Ext 4614

Agenda - Part: 1	Item: 8
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Subject:

Council Tax Support Local Scheme, Technical changes, council tax and business rate taxbase

Wards: All**Cabinet Member consulted:** A Stafford

1. EXECUTIVE SUMMARY

- 1.1 The Government is replacing the national Council Tax Benefit scheme with local schemes of Council Tax Support. It is a significant change as a) it is accompanied by reduced Government grant funding of the scheme and b) the risk of any caseload increase is borne locally and will not attract additional grant funding. Enfield Council is particularly adversely affected as it currently has the second highest Council Tax Benefit caseload in London.
- 1.2 The Council is faced with funding a net £4.0m deficit (after Council Tax technical changes for 2013/14 are taken into account) from reduced payments of Council Tax Support than under the current benefit regime and the council has, as required by law, consulted the GLA and residents on a draft Local Scheme and options.
- 1.3 The Council has to approve a local scheme of Council Tax Support by 31st January, 2013. If it does not meet this deadline, the Council will have the Government's Default Scheme imposed in full leaving a substantial funding shortfall. In approving a local scheme the Council can consider the Government Transitional Scheme which leaves a shortfall of £805k in 2013/14 rising to £1.5m in 2014/15 based on existing information that the Government grant is for one year only.
- 1.4 Pensioners are protected from the reductions and it is recommended the protection extends to working age war widows. The draft scheme sets out reduction in help with council tax payments which will affect the remaining 28,000 working age claimants and result in Council Tax bills for working age customers rising whether in low paid employment or whether unemployed including Jobseekers Allowance and Income Support cases.
- 1.5 The scrapping of Council Tax Benefit is one of several Government

Welfare reform changes from 2011 to 2017 which will have cumulative adverse financial impact upon Enfield's residents on benefit. The impact of this change upon customers and the Council's finances will also depend upon the success of unemployed Enfield residents finding paid work or, for those in low paid work, the success in securing better paid work.

- 1.6 Easy answers do not exist as to the Local Scheme model to be adopted for 2013/14. Any scheme of reduced support as a result of reduced Government grant will have an impact upon families and individuals on low income. To help pay for the scheme, technical changes to Council Tax, taking advantage of changing Regulations, are proposed.
- 1.7 If Council adopt any of the schemes which pass on reduction in support, Working age customers moving from 100% Council Tax Benefit to lower Council Tax Support in April 2013 would face increased Council Tax bills including most of the affected cases ceasing to receive zero net charge bills. To provide a funded scheme requires both consideration of the scheme design for support and the collection strategy to collect sufficient of the sums due whilst providing adequate customer advice.
- 1.8. On the final day of the 12 week consultation period, the Government announced a one year Transitional Grant Scheme providing a one-off grant of £670k if an 8.5% limit on reduced support is applied and various criteria are met. The Council has fully considered this option and calculates that the grant leaves a funding shortfall of £805k in 2013/14 rising to £1.5m in 2014/15 based on existing information that the Government grant is for one year only. This report seeks Council consideration of the options available.
- 1.9 Following the consultation and consideration of the Transitional Grant Scheme, the Council is asked to consider all of the options presented and agree a council tax support scheme.

2. RECOMMENDATIONS

Council is recommended to

1. Consider the options available to the Council in setting a Council Tax Support Scheme and agree the council tax support scheme for 2013/14. The six options (A – F) are shown in para 4.7 in the report. Appendix A sets out the technical drafting changes required to the scheme regulations and the full regulations for each option. (Key decision no. 3592).
2. Agree the council tax technical changes, (Appendix B), key decision no.

3579.

3. Agree the 2013/14 council tax base relevant to the scheme adopted, (Appendix C), key decision no. 3559.
4. Agree the NNDR1 2013/14 (Appendix D), key decision no. 3649, and delegate the agreement of the future business rate estimates made in the annual NNDR1 return to the Audit Committee in line with the normal practice for the council tax base estimates.
5. Note the collection arrangements, measures proposed to assist customers affected by the change in help with Council Tax payment and current payment methods (Appendices E and F).
6. Note the proposed arrangements for tackling fraud and error in Council Tax Support (Appendix G).
7. Note the Equalities Impact Assessment (Appendix H) and full consultation results (Appendix I)
8. Agree to delegate authority to the Director of Finance, Resources and Customer Services to create and manage a hardship fund, (see section 7. below), in agreement with the lead member cabinet member for Finance.

3. BACKGROUND

- 3.1 The Welfare Reform Act 2012 includes provision to abolish Council Tax Benefit. Its replacement, local schemes of Council Tax Support, is included in the Local Government Finance Act 2012. The proposed scheme incorporates the draft prescribed scheme requirements, the Government's default scheme and amendments to give effect to the reduction in support to customers.
- 3.2. The Government has passed legislation requiring consultation on the development of a Local Scheme of Council Tax Support with the Greater London Authority as precepting authority and with local residents.

3.3 Scale of change

The Government is scrapping Housing Benefit (gradually from 2013 to 2017) and Council Tax Benefit (from 1st April, 2013) as part of its Welfare Reform programme. Unlike Housing Benefit, Council Tax Benefit is not being absorbed into Universal Credit but is to be replaced by local schemes of Council Tax Support determined by each billing authority. It is not just a change of scheme name as the Government is reducing the grant available in respect of help with Council Tax and passing the risk and cost to the Council of higher benefit/support costs in respect of any rising caseload or rising Council Tax levels. Enfield has the 2nd highest Council Tax Benefit caseload in

London of over 39,000 cases representing support to some 32% of homes in the borough and currently pays approximately £37m p.a. in the form of reduced Council Tax bills to local residents. The caseload of claimants has risen significantly up to October, 2012 when the figures appear to plateau but it is too early to be clear whether this is the start of a trend or if claimant numbers will rise again.

- 3.4. The total funding shortfall is estimated for 2013/14 to be £4.9m. Changes in Council Tax legislation are expected to be operational from 1st April, 2013 and these cover ending discounts for second homes and for empty homes and charging 150% of Council Tax for property left empty for more than 2 years. These measures are subject to adoption when the Council Tax levels for 2013/14 are set by Council in February, 2013 and are anticipated to raise an additional £0.9m Council Tax in 2013/14. Using this to partially offset the cost of the local scheme brings the unfunded amount to £4.0m on the latest available information.
- 3.5 If the Council chooses a scheme which is fully funded this means passing on the whole of the shortfall (£4m) to working age council tax support recipients. If the Council chooses the transitional grant scheme which is not fully-funded the £4m shortfall will be met through lesser reductions in council tax support for working age people, a one off grant from Government and additional savings or contribution from reserves or increasing council tax or reducing services.
- 3.5 The Cabinet in July 2012 approved the consultation arrangements for the draft Local Support Scheme on the basis that the new scheme was funded through reduced support levels to claimants. At this stage, the Government had not announced any Transitional grants or schemes and therefore the Council was faced with an estimated funding shortfall of £5.1m at the time of the consultation. The estimated shortfall in funding is now £4.9m reducing to £4m if the measures outlined in section 8 are approved. A fully funded scheme is:

Reduction in Government Grant	Funded by	Reduced Payments to claimants
The Cost of Bad Debts on increasing net Council Tax liability		Increased Council Tax yield from increasing net liability
The cost of administration		The effect of technical changes to Council Tax
		Ongoing New Burdens funding or other identified funding

- 3.6. Details of the Government's Transitional Scheme were not known until the last day of consultation but full consideration of the proposal has been given and details are set out in this report.

Applying the reductions

- 3.7 The reductions are not applied to all current Council Tax Benefit cases. The Government Regulations state that pensioners shall be protected from reduction as a result of the change of scheme. The reductions therefore only apply to working age claimants which will cover those working and in low paid employment and those who are not in paid work.
- 3.8. The draft Local Scheme provides for protection to pensioners, to War Widows of working age and to those receiving war disability payments. It recognises the support to families and to those with disability by proposing the retention of the premiums used in calculating entitlement in the current Council Tax Benefit scheme.

3.8 Determining a Local Scheme

The local Scheme to be agreed by the Council has to meet the statutory framework set by the Government and to meet financial criteria if the new scheme is to be fully funded. The grant level has now been set by the government and the other key factors are the caseload level and whether it rises or falls, the scope for increasing the Council Tax yield through technical changes, the collection percentage applied, the cost of the new scheme and the availability of any new burdens funding. The consultation set out key design features and a draft scheme with three variant models.

4.0 Consultation

4.1 Statutory Consultation

The statutory consultation was conducted for a 12 week period from 26th July to 18th October 2012. The consultation set out key design features and a draft scheme with three variant models. It also invited comments on categories of claim to be protected from reduced support. Calculations of the shortfall were based upon the latest available information and the consultation document advised that the final position on Government funding would be known at the end of 2012 and the Council may need to adjust the proposals based on future funding announcements or significant changes in claimant numbers.

On the final day of the 12 week consultation, the Government announced a scheme of transitional grant for 2013/14 offering grant funding if the Council limited reductions to no more than 8.5% for those currently receiving 100% Council Tax Benefit, and if their taper rate does not increase above 25%. As this was too late for the consultation, the following sections do not include this option. However, set out in section 5 is a separate consideration of the Transitional Grant Scheme.

4.2 How was the consultation conducted?

The consultation document including the questionnaire was made widely available electronically and in hardcopy as follows:-

1. On-line through the Council's website
2. Hardcopy through insertion in the September 2012 issue of "Our Enfield" magazine distributed throughout the borough at the end of August 2012
3. Hardcopy from any of the council's Libraries or Customer Service Centres
4. Presentation at one cycle of Area Forum meetings (6 meetings) when forms were available
5. Sending forms to a sample of 1,200 Council Tax Benefit recipients
6. Sending forms to a sample of 1,000 Council taxpayers not currently receiving Council Tax Benefit
7. Attendance at an On Your Doorstep mobile information session
8. Information available at Childrens Centres
9. Letters to 70 voluntary and community sector organisations
10. E-mail notification to Resident's Panel members of this consultation.

In addition awareness was raised with major landlords directly through established forum meetings and to the public generally through a poster campaign.

The Greater London Authority was consulted separately on 18th July 2012.

4.3 **Who responded?**

621 responses were received during the consultation period of which 151 were from recipients of Council Tax Benefit. 221 of the respondents stated they were aged 65 years or older. In addition, the GLA responded during the consultation period.

4.4. **Consultation Results**

The consultation extended to any resident – those of working age receiving Council Tax Benefit and directly affected by the new scheme and other residents indirectly affected by the cost of any funding shortfall being reflected in future Council Tax levels set. Consultation also occurred with the Greater London Authority as it is affected by levels of Council Tax collected. The detailed Consultation Results are set out in Appendix I. The key results are set out below.

- 4.5. There are three key issues in the consultation, namely:-
- 1) Support for basic design principles
 - 2) Preference as to scheme model reduction
 - 3) Categories to be protected from reduction.

4.6 **Design Principles**

The summarised results of support for the basic scheme design principles are set out in the table below showing the percentages of respondents agreeing or strongly agreeing with design principles.

Design Principle	Working age Council Tax Benefit Recipients	All respondents
a) everyone paying something towards their Council Tax	42%	78%
b) ending the Second Adult Rebate scheme for working age cases	39%	73%
c) increasing the top rate of non-dependant deduction to £20.50 per week	60%	71%
d) retaining the disability premium used in calculations	75%	69%
e) retaining the family premium used in calculations	63%	43%
f) not treating child benefit as income	60%	43%
g) keeping the savings limit at £16,000	54%	55%
h) reducing the savings limit below £16,000	34%	32%
i) protecting war widows from reduced support	61%	65%

Overall there is quite broad support for the basic design principles save for reducing the savings limit.

4.7 Scheme Model Options

All options extend income disregards for war widows of working age and recipients of army compensation payments. All options are based on the current national benefit assessment calculation which includes additional premiums for families, lone parents and the disabled. The current Option A is the original draft scheme consulted on. Options B – F are the variants to the draft scheme. The options, adjusted to reflect the final grant and cost estimates, are:

Option A (Flat Rate Reduction) takes the Council Tax Benefit Default Scheme as now set in Regulations and proposes three key amendments to those cases not protected from reduction:-

1. A flat rate end of calculation reduction of £200 p.a. for all claimant households affecting c28,000 cases
2. The ceasing of Second Adult Rebate (or Alternate Council Tax Benefit) affecting 320 cases and ending a better buy calculation where an adult other than the main householder is on a low income
3. Increasing the top rate of non-dependant deduction from £9.90 per week to £20.50 per week for non-dependants earning over £407 per week affecting 285 cases.

Option B (Percentage Reduction) takes the Council Tax Benefit Default Scheme as now set in Regulations and proposes three key amendments to those cases not protected from reduction:-

1. An end of calculation deduction of 19.5%,
2. The ceasing of Second Adult Rebate (or Alternate Council Tax Benefit) affecting 320 cases and ending a better buy calculation where an adult other than the main householder is on a low income
3. Increasing the top rate of non-dependant deduction from £9.90 per week to £20.50 per week for non-dependants earning over £407 per week affecting 285 cases.

Option C (Variable Percentage Reduction) takes the Council Tax Benefit Default Scheme as now set in Regulations and proposes three key amendments to those cases not protected from reduction:-

1. An end of calculation deduction of 11.5% for those working and meeting the current Working tax Credit rules or a deduction of 23% for other working age cases,
2. The ceasing of Second Adult Rebate (or Alternate Council Tax Benefit) affecting 320 cases and ending a better buy calculation where an adult other than the main householder is on a low income
3. Increasing the top rate of non-dependant deduction from £9.90 per week to £20.50 per week for non-dependants earning over £407 per week affecting 285 cases.

Option D (Reduction by Band) takes the Council Tax Benefit Default Scheme as now set in Regulations and proposes three key amendments to those cases not protected from reduction:-

1. No reduction for residents occupying property in Council Tax bands A to C, a reduction of 25% for those occupying property in band D and a reduction of 100% for those occupying property in bands E to H. This would affect about 11,000 cases.
2. The ceasing of Second Adult Rebate (or Alternate Council Tax Benefit) affecting 320 cases and ending a better buy calculation where an adult other than the main householder is on a low income
3. Increasing the top rate of non-dependant deduction from £9.90 per week to £20.50 per week for non-dependants earning over £407 per week affecting 285 cases.

Option E (Government Transitional Percentage Reduction) takes the Council Tax Benefit Default Scheme as now set in regulations and stipulates an end of calculation deduction of no more than 8.5% for those who would be entitled to 100% support under the current council tax benefit arrangements, and that the taper does not increase above 25%.

Option F (Percentage Reduction – two year scheme) takes the Council Tax Benefit Default Scheme as now set in Regulations and proposes an end of calculation deduction as in Option E in year one (the Government transitional scheme) and if the funding shortfall could not be met an end of calculation

deduction of 19.5% in year two (2014-2015) with the following also applying in year two:-

- The ceasing of Second Adult Rebate (or Alternate Council Tax Benefit) affecting 320 cases and ending a better buy calculation where an adult other than the main householder is on a low income
- Increasing the top rate of non-dependant deduction from £9.90 per week to £20.50 per week for non-dependants earning over £407 per week affecting 285 cases.

Options E and F were not included in the consultation document as they only became available after the consultation had effectively closed – see para 5 below. Option F would be subject to confirmation before year two in the light of circumstances.

The following table illustrates the impact of the four different approaches in Options A – D **using the information in the consultation documentation:-**

Council Tax Band	Annual Council Tax Bill	Amount payable if maximum Benefit Entitlement				
		A	B	C -11.5%	C -23%	D
A	£938	£200	£183	£108	£216	£0
B	£1094	£200	£213	£126	£252	£0
C	£1251	£200	£244	£144	£288	£0
D	£1407	£200	£274	£162	£324	£1055
E	£1720	£200	£335	£198	£396	£1720
F	£2032	£200	£396	£234	£467	£2032
G	£2345	£200	£457	£270	£540	£2345
H	£2814	£200	£549	£324	£647	£2814

4.9 In respect of the model option to be adopted, the picture is mixed. The overall preferred option of respondents as a whole is Option C but this is the least preferred option of those directly affected, the working age claimant whose first preference is Option B. There is strong support from people of retirement age for Option D. A copy of the full consultation results is set out in appendix I.

Preferred Option	Working age Council Tax Benefit Recipients	All respondents
Scheme option A	24%	26%
Scheme Option B	32%	22%
Scheme Option C	15%	30%
Scheme Option D	29%	22%

In its response to the consultation, the GLA noted the options but had particular reservations as to the adoption of option D.

4.10 Categories to be protected from reduction

The categories to be protected which received significant levels of response were pensioners and war widows/widowers and they will be exempt from any reduction in support. Increased premiums apply to families with children and people with disabilities in the current council tax benefit assessment and it is proposed will continue to be so in the local scheme. No further categories of protection have therefore been included in the proposed local scheme.

5.0 The Transitional Grant Scheme

On the last day of the Council's 12 week consultation period, the Government announced a Transitional Grant Scheme. The scheme provided one year grant funding available to authorities that capped the level of reduction to 8.5% for all working age claimants of council tax support who were previously entitled to 100% support with the taper not increasing above 25%. The grant award was not based on an understanding of the split between pensioner and working age claimants and therefore under-estimates the level of impact in some areas like Enfield that has a higher number of pensioner households to protect.

The likely grant award for Enfield is £670k. In a fully funded scheme the Council is able to set the level of reduction to match the funding shortfall and likely bad debt provision. Under the Transitional Scheme, the percentage of reduction we could apply and the level of grant we would receive is fixed. This would leave the Council with an estimated funding shortfall of £805k in 2013/14 rising to £1.5m in 2014/15 when, on present information, the one off grant will not be available.

The options to make up this shortfall include increasing council tax for everyone. £805k would represent an increase of approximately 1%. The funding gap, however, would be greater as increasing council tax to meet the £805k funding shortfall would also mean losing the Council Tax Freeze Grant (£1.2m in 2013/14). The combined increase would be greater than 2% and therefore trigger a referendum under the Government's current legislation.

Alternatively it could find the shortfall from reserves or balances. The Council's recent Finance Resilience Review by our external auditors Grant Thornton, concluded that the Council's balances are currently at an appropriate level (£14m) to mitigate the risks it currently faces and so any use of these balances would create an increased risk. The Council would therefore need to review all its one-off funding to identify if alternative financing was available.

The remaining option requires the Council to find additional savings through service reductions or other schemes/projects in the context of already delivering £60m of savings over the last 3 years and the expectation of further

Government cuts in funding to come. Should Council agree a scheme that requires a shortfall in funding to be met, the measures to be taken to meet the shortfall will be identified in the Council's budget setting report to Council in February. The timing of the Government announcement made impossible a further full consultation. The announcement of the revised grant allocations on 19th December 2012 (see paragraph 12.1) also contributed to a changing picture in relation to this issue.

6.0. Equalities Impact Assessment

Reducing support from families and individuals on low income has significant equalities implications and an assessment of the equalities implications has been undertaken and set out in Appendix H.

6.1 The numbers affected by the change in Council Tax Support are significant and set out below. As expected the greater levels of Council Tax Benefit cases are in the lower banded property but those in bands D and higher include larger families.

Council Tax properties by band

Band	CTAX total
A	5004
B	11378
C	33274
D	35863
E	20818
F	8961
G	5821
H	870
Total	121989

Council Tax Benefit Cases by band

	Pensioner\Working Age Split by Band	
	Pensioners	Working Age
A	770	2445
B	1550	4807
C	3128	10962
D	3227	7949
E	1720	2206
F	432	400
G	147	95
H	4	3
Total	10978	28868
Caseload	39846	

The 2010 statistics show 33.54% of the children in the borough (or 26,870 children) were living in poverty. 15% of respondents to the consultation exercise stated they had a disability.

6.2 The Council is required to take a proportionate approach and it is not required to examine equality issues when they are not relevant. Pensioners and war widows are offered protection from reduced support in any of the proposed fully funded scheme options. However the consequences of funding the shortfall in the Transitional Grant Scheme may impact on pensioners so they have been included in the assessment of this option.

6.3 Key equalities implications for each of the scheme options are as follows:-

Option A – a variable impact according to Council Tax band with easily the higher percentage reduction in the lower bands which have the concentration

of Council Tax Benefit cases. Likely to have a major impact upon single claimants/ families living in lower banded properties.

Option B - offers a consistent percentage reduction and has the most proportionate impact of the scheme options.

Option C - offers a significant work incentive but this is funded through a larger percentage reduction for unemployed claimants. This is likely to raise significant issues for unemployed families and for child poverty.

Option D - a “cliff edge” option giving full protection to those living in property in Council Tax bands A to C, halving protection for those living in band D property and ending support to those in higher banded property with severe impacts upon many families living in larger properties. Option D also would disproportionately affect families of certain ethnicities which tend to be larger in size for cultural reasons and are therefore more likely to be living in higher banded properties.

Option E - The Transitional Grant Scheme has a lesser direct impact for council tax benefit claimants but if the Council chose to fund the shortfall through balances or reserves or further services reductions, the indirect implications would have a potential effect not just on benefit claimants but also other residents. Increasing Council Tax levels to fund this scheme would also impact on some pensioners and other low income households. The funding gap in year two rises to over £1.5M if the Government does not announce another year of grant funding (currently they are offering one year only)

Option F – The two year scheme has a lesser direct impact for council tax benefit claimants in year one but if the Council chose to fund the shortfall through balances or reserves or further services reductions, the indirect implications would have a potential effect not just on benefit claimants but also other residents. Increasing Council Tax levels to fund this scheme would also impact on some pensioners and other low income households. In year two the scheme would be fully funded.

7. Evaluation of scheme options

Option	Financial impact	Equalities impact	Consultation response
A – Flat rate reduction	Fully funded scheme	Disproportionate impact on claimants living in lower banded properties. High proportion of claimants live in the lower banded properties.	This was second favourite among all respondents but second bottom among working age claimants.
B – A percentage	Fully funded	Offers a consistent	This was favourite

reduction	scheme	percentage reduction and has the most proportionate impact of the fully funded scheme options	among working age council tax benefit claimants.
C – Variable percentage reduction	Fully funded scheme	Impacts negatively on those unable to work for disability or family reasons.	This was least favourite among working age benefit recipients but overall favourite for all respondents.
D – Reduction by band	Fully funded scheme	This negatively impacts on large families which are disproportionately represented in some ethnicities but benefits those living in smaller property.	This was least favourite among all respondents but second favourite among working age council tax benefit claimants.
E - Government Transitional Percentage Reduction	Partially funded scheme which requires contribution from other council resources (reserves, savings from services or increase in council tax.) Shortfall increases in year 2 to £1.5m if no further grant announced	A lesser direct impact on claimants. Potential indirect impact on the wider community including pensioners, families and the disabled of potential funding decisions.	Government announcement too late for full consultation.
F – Percentage reduction two year scheme.	Partially funded scheme which requires contribution from other council resources (reserves, savings from services or increase in council tax.) Second year fully funded from increasing claimant contribution to 19.5%.	A lesser direct impact on claimants. Potential indirect impact on the wider community including pensioners, families and the disabled of potential funding decisions. Year two offers a consistent percentage	Government announcement too late for full consultation.

		reduction and has the most proportionate impact of the fully funded scheme options	
Government default scheme	Leaves a £4m funding shortfall. which requires contribution from reserves or savings from services or increase in council tax.	Significant impact on the wider community including pensioners, families and the disabled of potential funding decisions.	Consultation results showed 78% of all respondents thought everyone should have to pay something to council tax.

7.2 Hardship Scheme

Within the Council Tax Support Local Scheme the council is empowered under S13A(1)(c) to set up a hardship scheme. This will help minimise the impact of welfare reforms by assisting those most at risk and protecting the most vulnerable to meet a shortfall between council tax support and council tax liability and will assist in meeting the duty to promote equality under S149 of the Equalities Act 2010.

- 7.3 The scheme is being developed and will consider the amount of funding to be approved for the hardship fund, how the fund will be financed, additional costs of fund set-up costs, promoting awareness, designing application forms, administration and how the Council will operate the scheme. Eligibility and factors to be considered in deciding if an exceptional hardship payment can be made will include whether applicants have suffered losses in income through reductions in other state benefits, have exhausted all sources of income, can demonstrate that they would suffer severe financial hardship if support were not given and that they have explored and secured other benefits to which they may be entitled. Each case will be treated fairly and equally in determining accessibility to fund. Guidance will include consideration of claimants receiving a current discretionary housing payment in respect of losses in housing benefit and customers suffering a percentage loss of state benefit overall although this will not include cases where claimants have ceased to be eligible for a benefit. This is likely to protect some claimants affected by the benefit cap changes in Enfield to be introduced in April as part of the Government pilot scheme.
- 7.4 Members are requested to delegate power to the Director of Finance, Resources and Customer Services to create and manage this fund.

8. Council Tax Technical Changes

- 8.1 The Council Tax technical changes proposed to come into effect 1 April 2013 are set out in Appendix B and can summarised as follows:-

- reduce the council tax discount for second homes from 10% to nil
- reduce council tax class A exemption for vacant dwellings undergoing major repair from 100% for up to 12 months to nil
- reduce the council tax class C exemption for empty and unfurnished dwellings from 100% for six months to 100% for one month and nil thereafter
- raise an empty homes premium of an additional 50% of council tax in respect of dwellings that have been left empty for 2 years with the exception of those exempted from this premium (service personnel posted away from home and dwellings which form annexes in a property used as part of the main residence).

8.2 These changes will increase the Council Tax yield and be used to offset partially the reduction in Government funding of Council Tax Support. The technical changes will apply across the board and affect Enfield Homes properties and the Housing Revenue Account as set out in the Financial Implications to this report.

8.3 The technical changes, if adopted, affect the Council Taxbase for 2013/14 and therefore the taxbase calculation for 2013/14 is shown in Appendix C for approval along with the proposals for the new Council Tax Support scheme.

9. **Collection**

9.1 Reducing support to people on low income raises collection of Council Tax issues and these need to be considered alongside the support scheme development. The collection of monies from persons previously receiving 100% Council Tax Benefit is likely to be challenging in many cases. Nonetheless the Council must be rigorous in collection activity as the cost of non-collection will affect future years Council Tax levels. In recognition of the difficulties faced by people facing increased bills, it is proposed that

- 1) every person affected will receive written advice of the Local Scheme once approved,
- 2) general budget management advice should be made available and
- 3) 12 monthly payment arrangements of Council Tax will be made available on request, or, if the payer prefers, weekly Direct Debit payments for Council Tax will be arranged on request.

The advice available to those affected by the introduction of the support scheme will be available in person and available electronically.

9.2 Where payment is not forthcoming, the normal reminder and recovery processes will follow as for any other Council Tax case as recovery of the debt will need to be enforced. Genuine cases of hardship will be considered. Any categories to be protected from payment are specified in the scheme and the cost taken into account in formulating the scheme.

9.3 The payment methods and collection process are set out in Appendices E and F.

- 9.4 To keep scheme costs to a minimum and to promote fairness, the Council will take action to identify false claims to tackle fraud and ensure processes are in place to keep errors in assessment to a low level. The measures are set out in Appendix G.
- 9.5 The Council Tax base and the Business Rate Base for 2013/14 are set out in Appendices C and D and need to be approved by Members by 31st January, 2013. These show the basis of the amount to be retained by Enfield and the amount to be passed to the GLA. The Council Tax base is affected by the introduction of Council Tax Support and by the Technical Changes which result in the taxbase falling from an ultimate collection rate of 98% to 96.87%.

10. ALTERNATIVE OPTIONS CONSIDERED

This reports contains six main variants, four of which have been subject to extensive consultation on the basis of a fully funded scheme and include the Government's Transitional Grant scheme. A do nothing option is not feasible as the Government's Default Scheme unamended will apply leaving a funding gap of c. £4m.

11. REASONS FOR RECOMMENDATIONS

This report outlines the options available to Council with the implications associated with each.

12. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

12.1 Financial Implications

Council Tax Support Scheme (General Fund)

The financial risk and potential cost to the Council was first included in the Medium Term Financial Plan reported to Council as part of the council tax and budget report in February 2012. At that stage the 2013/14 estimated budget pressure of £4.95m¹ providing principally for the 10% reduction in the current Government grant, a 3% council tax increase and further growth in the local caseload.

The Government issued its consultation on new grant arrangements for council tax support in May 2012. Enfield's provisional grant allocation was £24.753m which was used to update Cabinet on 18th July 2012 of an increased budget pressure of £5.1m¹. The updated pressure

¹ All figures are for Enfield only and exclude the GLA cost.

assumed a £1.1m increase in the provisional grant after CLG had incorporated more up to date benefit cost data.

Revised grant allocations were announced as part of the 2013/14 Local Government Finance consultation on 19th December. The Council Tax Support Grant announced was £25.992m, a slight improvement on the Council's previous estimate. The new grant figure and more up to date benefit cost information (including a small allowance for further growth in caseload) have been included in all the calculations contained within this report.

Housing Revenue Account

The estimated cost to the HRA of the reduction in exemption for empty dwellings is £0.188m in 2013/14. This could be met by a contribution from the New Homes Bonus.

Taxbase

The two options for Council Taxbase set out in Appendix B take into account the previously discussed adjustments for:

- The new council tax support discounts
- The new Technical Changes
- A revised ultimate collection rate of 96.88% (98% 2012/13) which incorporates the 53% collection rate on council tax previously met through benefits

Business Rates

From 2013/14, London Boroughs will retain 30% on local business rates collected². The Government's assessment of Enfield's baseline funding for 2013/14 assumes the Council will collect and retain £30.83m and this has been built into the Council's budget assumptions. Any variation to this will result in benefit or loss to the Council through its Collection Fund in future years.

12.2 Legal Implications

All billing authorities in England are required to have their own local council tax support schemes, replacing council tax benefit, from 1 April 2013. Prior to making their schemes, billing authorities were required to consult with various other authorities and bodies (as required by Sch.1A para.3 to the Local Government Finance Act 1992) and publish drafts of their schemes. The schemes must be approved by full Council on or before 31 January 2013. If no scheme is adopted by this date, the

² 50% will be paid to the Government and 20% to the Greater London Authority

government has prescribed the *default council tax support scheme* that would automatically apply.

The Government has produced prescribed Regulations that came into force on 27 November 2012, that prescribe matters that billing authorities must include in their support schemes including provisions relating to persons who have attained the qualifying age for state pension credit (pensioners) and who are not in receipt of work-related benefits.

Enfield's options ensure that all the requirements of the Prescribed Regulations are included and additionally incorporates parts of the Default scheme Regulations therefore going beyond the minimum that was is required by the Regulations for a scheme.

The Consultation carried out on the proposed models and options for the reduction schemes with interested parties, produced a preferred model as set out in this report as option B. The consultation provided feedback and views that influenced the design of the reduction scheme. As with other billing authorities, Enfield was obliged to consult with major precepting authorities, publish a draft scheme and consult with such other persons it considered likely to have an interest.

12.3 Property Implications

None

13. KEY RISKS

This scheme poses significant operational, financial and reputational risks. The operational risks are collecting additional sums from 28,000 households all of which will be on low income and many will be affected by reductions of other welfare benefits. There is an operational risk of failure to collect the estimated amount, e.g. if any category of exemption has not been specified and following implementation of the scheme the Council is unwilling to pursue recovery action in particular cases of default. The operational risks may be contained by trying to assist payers with the arrangements set out in appendices E and F and by applying fairly the recovery process.

The financial risk is of insufficient collection rates and of caseload rises being beyond those anticipated in calculating the Local Scheme costs and deductions required from support. In the initial year of the scheme there is a risk that collection rates may be over or under stated. The opportunity to adjust anticipated ultimate collection rates in the scheme for 2014/15 will be available when the scheme for that year is set or confirmed no later than 31st January 2014. Variation between the estimated and actual collection rates and caseload levels will result in either a deficit (or surplus) on the Collection Fund in future years. The current Medium Term Financial Plan assumes no variation to current assumptions.

The reputational risk is of failure to make proper provision for people on low income losing some of the current level of support. The reason for this scheme arises from a Government decision to replace the existing national scheme with local schemes with reduced grant funding and clearly considerable help will need to be available to payers facing increased Council Tax bills as a result of the change in scheme. The Council should not be held accountable for that decision. Conversely, failure to properly pursue payment of Council Tax due in such cases would create inequality of treatment with other Council Taxpayers many of which will have income levels only marginally above the limit for obtaining Council Tax Support.

The Government's Council Tax Support grant is incorporated into the Council's baseline funding as a result of the new system of Local Government Finance. The Government has announced that there will be no reduction in the grant in 2014/15. However, there are concerns in this respect as the Council's provisional baseline funding in 2014/15 is £146.79m, a reduction of £15.39m (-9.5%) compared to £162.18m in 2013/14. The new arrangements mean that Enfield and councils generally are unlikely to be able to predict the exact changes in specific elements of Government funding in future years. The Government's Spending Review in 2013 is also likely to set out future cuts in local government spending in 2015/16 and beyond.

14. IMPACT ON COUNCIL PRIORITIES

14.1 Fairness for All

The options for a draft Local Scheme retains protection for pensioners and cases where there is disability, where there are children and where there are savings not exceeding £16,000. The draft scheme will need to strike a fair balance between the interest of Council Tax Benefit recipients and those taxpayers who do not receive help with their Council Tax payments.

14.2 Growth and Sustainability

One of the stated drivers for the Welfare Reform programme of the Government is increasing employment and the overall level of demand for Council Tax support will depend to a considerable extent on the ability of local unemployed residents to find paid work and for those in employment to find better paid work.

Reductions in disposable income may have an adverse impact in the local economy.

14.3 Strong Communities

The consultation exercise has shown that, as a principle, there is strong support for some payment to be made by all Council Taxpayers whether or not receiving Council Tax Support. However, combined with

other welfare reform measures, there is the potential for an increase in the number of families and individuals in the borough living in poverty.

15. EQUALITIES IMPLICATIONS

A full equalities impact assessment has been undertaken and is included as Appendix H. Option B offers a consistent percentage reduction and has the most proportionate impact of the funded scheme options. Whilst the Transitional Grant Scheme has a lesser direct impact on claimants, the indirect consequences of funding the shortfall could have an adverse impact on the same households and others including pensioners who would otherwise be protected as a result of diverting resources from elsewhere for the Government shortfall or as a result of increases in council tax.

16. PERFORMANCE MANAGEMENT IMPLICATIONS

This change is unlikely to change benefits performance but is extremely likely to reduce overall Council Tax collection levels and this reduction is taken into account in the scheme costs used in calculating the level of reduction in the funding implications of the new support scheme. It is also reflected in the taxbase calculation for 2013/14 appended to this report.

17. HEALTH AND SAFETY IMPLICATIONS

None

18. H R IMPLICATIONS

The scheme may have an impact upon some of the Council's low paid workers. It will also place pressure upon front line staff advising residents or enforcing payment in challenging circumstances from people on low income.

19. PUBLIC HEALTH IMPLICATIONS

This change affects those already struggling due to the wider Government welfare changes. The implications will depend upon the success of residents gaining employment or, for those in low paid employment, obtaining better paid employment. Supporting people facing hardship and stress will be key to promoting the ability of families to provide healthy food, to pay bills and to promote sound mental health.

Background Papers

None