

CO-OPERATIVE & COMMUNITIES SCRUTINY COMMITTEE

Minutes of a meeting of the Co-operative & Communities Scrutiny Committee held on Thursday, 11th October 2012 at 6.00pm in the Reception Suite, Civic Offices, Telford

PRESENT: Councillors A. McClements (Chair), N. England, J. Greenaway, C. Mollett, G. Reynolds, S. Reynolds. Co-optees J. Ellis, R. Williams.

Also attending: Cllr. B. McClements, Cabinet Member Resources & Service Delivery; Cllr. L. Clare, Cabinet Member Adult & Social Care; Cllr. P. Watling, Cabinet Member Children & Young People; L. Higgins, Benefit Service Delivery Manager; S. Lane, Revenues Service Delivery Manager; S. Jones, Scrutiny Officer.

CCSC-6 MINUTES

RESOLVED – that the minutes of the meeting of the Co-operative & Communities Scrutiny Committee held on 8th August 2012 be confirmed and signed by the Chairman.

CCSC-7 APOLOGIES FOR ABSENCE

Cllrs. R. Evans. A. Jhawar, J. Loveridge, A. Stanton, K. Tomlinson. A. Astley, Assistant Director Customer & People Services.

CCSC-8 DECLARATIONS OF INTEREST

None

CCSC-9 Council Tax Support Scheme

The Chairman welcomed John Ellis who had been appointed to the Committee as a Town & Parish Council co-optee, and invited those present to introduce themselves. The intention for the meeting was for members to consider the proposed options for the Council Tax Support scheme and to ask questions. A further meeting would be held to formulate a response as part of the consultation.

Lee Higgins gave a presentation which provided a national overview and local background to the Council Tax Support (CTS) scheme; the assumptions, principles and proposals of the Telford & Wrekin scheme; detailed financial modelling of the impact of the proposed options on affected groups and other options which had been considered; the consultation process and timetable for approval.

The key points were:

- The government had decided to move away from the national Council Tax Benefit (CTB) scheme from April 2013 to a localised Council Tax Support (CTS) scheme. Authorities had discretion as to how they wanted to award financial assistance but DCLG prescribed the default scheme.
- Pension age claimants must be protected, but authorities had discretion to define other vulnerable groups for protection. The scheme must not disincentivise work.
- Authorities would be given a ring-fenced grant for CTS which would be 10% less than current CTB expenditure and with an assumed 2% reduction in caseload per year based on signs of recovery in the economy. There would be a funding shortfall in Telford & Wrekin of **£3.1million**.
- A Member/Officer group had developed the options for the CTS scheme. The timescales and IT system had limited the complexity of the scheme for the first year, but refinements could be made for year 2.
- The changes coincided with DWP changes to Housing Benefit which will also impact on working age customers, especially those with children.
- In Telford & Wrekin there had been a 19% increase in the CTB caseload since 2008 (75 more new claims in September than August). 18,465 (26%) households received CBT. The financial model therefore assumed a growth in caseload of 2% per year.
- The model assumed increases in Council Tax of 2.5% in 2012/13 and 2013/14. The model had been developed before the announcement about the cap on Council Tax increases without a referendum.
- The financial impact of the potential funding shortfall would be shared between the Council and Police & Fire Services, but Parishes were protected. There was an estimated total shortfall of £3.1million for the Council and £0.7million for the Police and Fire Services.
- The options for the Council were to subsidise the £3.1million funding gap by cutting services or by reducing Council Tax support. If the caseload increased without an increase in the grant, the deficit will grow year on year.
- 42% of the CTB caseload were of pension age and would be protected under the national default scheme. The burden of the cuts would therefore fall on working age claimants.
- The value of CTB paid to working age claimants was £8.4m in 2012/13 (projected to increase to £9.0m in 2013/14). The available grant for CTS was estimated at £5.8m for 2013/14, representing a 35% reduction in the amount available to

support working age customers. 8,100 of the 10,700 working age claimants were on JSA or below the minimum income guarantee figure and pay no Council Tax at all; 2,500 are on low pay and pay some Council Tax.

- Key principles of the Telford & Wrekin CTS were: the cut in funding should not mean cuts to other Council services; to protect vulnerable claimants; the cuts should be shared fairly across working age claimants; to protect vulnerable claimants; the needs of those with children or caring responsibilities should be recognised (but the cuts would still apply); the scheme should not discourage employment.
- The key features of the proposed scheme were:
 - To define the severely disabled as a protected vulnerable group
 - To cut the amount of CTS paid to non-vulnerable working age claimants by 21%
 - Remove exemptions and discounts on empty properties and second homes
 - Introduce an empty homes premium of 150% for properties vacant over 2 years - this would incentivise landlords to bring properties back to use
 - Reduce the savings and capital limit for claims from £16,000 to £6,000 - those with savings are comparatively less financially vulnerable
 - Limit backdated claims to a maximum of one month (from 6)
 - Introduce a minimum £2.50 award level i.e. people entitled to less than £2.50 support would receive nothing
 - Remove the second adult rebate for working age customers - the 25% discount can be claimed regardless of the income of the tax payer
 - Introduce a discretionary fund of £65k for cases of extreme financial hardship.
- Examples of other authorities' schemes were given.
- The consultation closes on 26th October. Once the feedback has been considered the final proposals will go to Full Council in November assuming the legislation has received Royal Assent.

Members were also taken through detailed financial modelling to consider the impact and implications of the proposed scheme, and alternative models. This showed:

- The removal of the empty property/second home exemptions and discounts was very controversial with landlords who had argued for a minimum one week exemption, but this was the element that would have the greatest impact on the scheme. Removing the discounts and exemptions would generate an estimated £1.2m towards offsetting the £3.1m funding gap. Adding in the removal of the second adult rebate, the reduction of the savings cap to £6,000, reducing maximum backdate to one month and introducing a minimum weekly award would increase this to £1.4m. The effect of these changes would be to keep the reduction in benefits for working age non-vulnerable claimants to 21% as opposed to 38% if the changes were not introduced. Any exemption granted on empty properties would mean a corresponding increase in benefit cuts for working age

non-vulnerable claimants: 1 week exemption = 23.4% cut, 2 weeks = 24.8%, 1 month = 27.5%. These options could be considered as part of the consultation.

- For households with children, the proposed scheme retained the elements currently built into the CTB scheme that advantage households with children i.e. Child Benefit and Maintenance, additional income exempt from CTB (additional £17.40 for families, additional £64.99 for each child), up to £300 for claimants or partners paying childcare costs - all of these would be disregarded as income under the CTS scheme. However, families or claimants with children would not be defined as vulnerable and the cuts would apply under the proposed CTS scheme. An example was given to show the impact of the proposals on a working age couple, both working but on a low income, and the impact on the same couple with the addition of a child. For the childless couple, CTB at £1.83pw would be removed under CTS minimum award, and for the couple with a child (taking into account £116.10 additional income from Working Tax Credit, Child Tax Credit and Child Benefit), the existing CTB entitlement of £2.57 would reduce by 21% to £2.03pw.
- Treating households with children as vulnerable would mean the whole of the funding gap would have to be shared between the 4,490 non-vulnerable working age claimants. Protecting all households with children would cut their benefit by 51%. Protecting households with children by age group would mean cutting benefit for working age non-vulnerable claimants by a corresponding amount: child under 5 = 29% cut, child under 4 = 27.4%, child under 3 = 25.7%, child under 2 = 23.9%, child under 1 = 22.2%.
- There were grave concerns about the impact of the cuts on unemployed young people. Claimants on JSA receive £56.25 per week, so cuts in benefit would have a very significant impact. Under the proposed scheme, working age non-vulnerable claimants in a Band A property (6,700 live in Band A, 2177 in Band B, 569 in Band C) would be affected as follows:
 - a) Existing CTB = £0
 - b) 21% CTS reduction = £20.44pm over 10 months
 - c) If empty properties exempt for one month = £22.34pm over 10 months
 - d) If all families with children protected = £48.70pm over 10 months
 - e) If both c) and d) above = £63.40pm over 10 months, or 26% of entire incomeCoupled with this, the changes to housing benefits and other welfare reforms were likely to have a big impact on young people under 25.

At the end of the presentation the Chairman invited Cabinet Members to make comments. Cllr. McClements felt that CTS should have been rolled into the Universal Credit to make it easier for people to manage their budget. He expressed concern about the expense of collection, the risk of bad debt, and confusion for people migrating across authorities with different schemes. He emphasised the fact that the scheme had needed to be developed quickly and that it had been kept simple to administer to avoid the costs of assessments. Other authorities had protected families with children, but this was at the cost of other working age claimants. Further

revisions may be required over coming years if the caseload continues to increase. The property exemptions had been removed to incentivise landlords to keep or bring properties into use, and to protect unemployed people and those on low or minimum wage. Cllr. Clare expressed concerns about the potential impact of the housing benefit changes and the introduction of the Universal Credit and the lack of one-bed roomed properties and risk of homelessness. Cllr. Watling regretted the fact that the cuts had to be made, but there was no choice. Front line services needed to be protected. He was also concerned about the cost of collection and risk of bad debt. He felt the cuts to the welfare system could be a false economy because the consequences would put pressure on other services.

Members then asked questions and commented on various points:

- *How has the grant been calculated and when will it be reviewed?*
The Department for Communities & Local Government (DCLG) had calculated the grant as 10% below current CBT expenditure plus an assumed 2% reduction in caseload based on the belief that there were signs of an improvement in the economy. There was no indication as to whether or when the grant would be reviewed, but it was felt that if the government has assumed a 2% reduction in case load then this could be applied year on year to the grant. The Department of Work & Pensions (DWP) had based its assumptions on figures from the Office of National Statistics – the Local Government Association had asked the government to provide the figures so they could be scrutinised but to officers' knowledge this hadn't happened. Locally, there were no signs of improvements in the economy and the CTS scheme had assumed a 2% increase in caseload based on current trends.
- The presentation showed that 26% of households currently receive some CBT, of which 42% are pensioners who are protected from the changes. Members requested a breakdown of the remaining claimant caseload which would be provided after the meeting.
- *How has the shortfall from failure to collect been projected, has adequate provision been made, and how is this shared across the Council, Police & Fire Services and Parishes?*
The collection rate for 2011/12 was just above 97% which was similar to the national average. £600k had been built into the model as provision for default, but there was a high level of uncertainty about this. Only around 20% of working age benefit claimants affected already paid some element of Council Tax and the majority would be making a contribution for the first time making it very difficult to predict the level of default with any degree of accuracy. The model allowed for a 70% collection rate (or 30% default) for claimants who have never paid Council Tax before. It would be possible for the Council to pursue debtors through the courts and take payments directly from their benefit, but this was not desirable because of the cost of administration and court fees.
Currently, under the CTB scheme, the Police and Fire Services are protected from the impact of defaults on Council Tax and the Council carries the whole risk.

Under the CTS scheme, the risk / impact of non-collection will be shared between the Council and the Police and Fire Services, but the Parishes will be protected and this had been factored into the projected impact of reduced collection.

- *The government has prescribed the protection of claimants of pension age. How will caseloads be affected by increases in the pension age and the growing ageing population?*

The pension age is set nationally and the local CTS scheme will recognise this. As the pension age increases claimants will be recognised as working age for longer and this will off-set the growth in the ageing population so it is anticipated there will be a negative impact.

- Members raised various concerns about the potential consequences of the cuts to Council Tax benefit, taken in conjunction with other welfare benefit reforms, and the risks of increased rent arrears, debt and homelessness which may put pressure on other Council services which cost more than the scheme saves.
- *What national and local consultation has there been?*
DCLG consulted on the proposals and amount of grant and have published a statement of intent which sets out what they would like to see in the final regulations. The regulations have yet to receive Royal Assent, but it was felt unlikely there would be changes. The regulations set out the national defaults for CTS. As it stands, the 25% single person's discount will remain - in Telford & Wrekin a reduction to 20% would fund the deficit in full. The Council had responded as part of the national consultation, and the Leader continued to lobby and had recently written to DCLG to make points back to government.

DCLG specified a minimum 9 week consultation on local options and because of the tight timetable for implementation had suggested this should start before the regulations were launched. In Telford & Wrekin there had been a 12 week consultation involving all households and not just those in receipt of Council Tax benefit to canvass a wider view from landlords, people with second properties etc. "Your Voice" had been sent to all houses in the borough, there had been three headlines in the Shropshire Star, 2 in the Telford Journal, Bill McClements had been on Radio Shropshire, there had been six consultation forums including a public open evening and sessions with Town & Parish Councils, landlords and disability groups etc. There had been around 240 responses and this was the most tweeted topic on the Council's Twitter page. All feedback is captured, including Tweets. Once the final scheme is agreed, all claimants would be written to in January to tell them how much Council Tax they will pay from April.

- *Did you look at other Council's schemes?*
Other authorities' schemes had been looked at, and the Benefits Service Delivery Manager had attended a session at DCLG attended by about 65 other authorities all of which were applying funding cuts. Of neighbouring authorities, Wolverhampton, Dudley, Walsall & Solihull were funding their schemes in full for the first year. Birmingham was reducing CTS to fund the gap, primarily by

removing the empty property discounts and making everyone pay the first 24% of their Council Tax so CTS will only be calculated on the remaining 76%. It was felt this was a harsher scheme than proposed for Telford & Wrekin as discounts would apply to the whole amount. Cannock Chase were making changes similar to the Telford & Wrekin options, except they were proposing to protect families with children under 5, but to offset this, all other families' Child Benefit and Maintenance would be included in the assessment of income.. Shropshire, Sandwell and Coventry were still considering options and had not made any decisions. Some Councils were capping based on property banding, but in Telford & Wrekin the majority of CT claimants fall within Band A or B and there were not enough in the top bands to warrant introducing the complexities of this kind of scheme. A breakdown of caseload by property banding would be provided after the meeting.

- Members had concerns about child poverty and about how the proposals support families with children when this is a priority for the Council.
- *How is "severely disabled" defined?*
The intention is to adopt the DWP definition and this had been published as part of the consultation. Members requested clarification on which rate of Attendance Allowance would apply as a qualifying benefit. Essentially, the definition covers people who are unable to work because of a disability. It would not cover people who are disabled but assessed as able to work who cannot find work. Moving away from set criteria would introduce the need for an assessment which would be very expensive. There is a problem because the Income Support system does not record which claimants are "severely disabled" and they will have to be identified by April. The definition may change with the introduction of Universal Credit but that is not until 2014.
- *Will the removal of the empty property exemption apply to young people who have saved to buy a property which is not habitable (e.g. no bathroom/kitchen) which they intend to do up to live in?*
This is a hard choice because we need investment in housing, but on balance it was felt fairer for people who could afford to save and buy to pay Council Tax than to exempt empty properties and put an extra burden on people with little money. This proposal will have a high impact on landlords. There was a consultation session for landlords and they raised big concerns about the proposal and have asked for a period of exemption to cover vacant periods between tenancies to be considered.
- *Do you think the removal of the exemption on empty properties in need of repair will deter landlords from taking on properties in need to repair which will have an impact on the housing market?*
Possibly, but removing the exemption may encourage landlords with properties needing repair to get on with the work.
- Members were concerned that developers would delay legal completion of properties to avoid Council Tax when the property may only need door knobs.

- *How many empty properties are there and how will they be identified?*
Empty properties are easy to identify now because the owner/landlord claims the exemption. In future, there will be an issue with identifying the properties and enforcing the payments. No provision has been made for this within the projections because it is unknown.
- *Will properties under probate be liable for Council Tax?*
The property would be subject to an exemption until probate is granted.
- *How is the £6,000 savings and capital limit calculated?*
It will include property other than the main residence, savings, stock, bonds, shares etc. It will not include assets such as cars or personal possessions.
- *How will the recent announcement about the 2% cap on Council Tax without a referendum affect the proposals?*
The proposals assumed a 2.5% increase in Council Tax for 2013/14. If the increase is lower this will have less impact and less risk which would be good news.
- *Why is Council Tax paid over 10 months, and can the payments be spread over 12 months to make them more affordable?*
The national statutory instalment scheme is that Council tax is paid over 10 instalments and this will remain, although people can request payments spread over 12 months. This happens now.
- *Could landlords structure tenancies so they expire during February/March when Council Tax is not paid to avoid paying the tax if there is a void between tenancies?*
No. Council Tax is paid in 10 instalments but covers the whole 12 months - February and March are not "free" months. Tenants are liable for Council Tax for the period of occupancy - their liability generally ceases on the day they move out and the landlord then becomes liable, unless they still have a current tenancy agreement. If a tenant moves out in January, they receive a rebate on pro rata overpayments and the landlord will assume liability.

At the end of the discussion it was agreed that the Committee would meet again on 23rd October to consider the information and agree a response for submission as part of the consultation and to Cabinet.

CCSC-10 2012/14 WORK PROGRAMME

Members noted the date of next meeting on 23rd October, and the meetings of the Co-operative Commission and Employee Commission on 12th and 19th October which members had been invited to attend.

The meeting ended at 7.50 p.m.

Chairman:.....

Date:.....