

## **CO-OPERATIVE & COMMUNITIES AND BUDGET & FINANCE SCRUTINY COMMITTEES**

### **Minutes of a meeting of the joint Co-operative & Communities and Budget & Finance Scrutiny Committees held on Tuesday, 23<sup>rd</sup> October 2012 at 6.00pm in the Reception Suite, Civic Offices, Telford**

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

Also attending: A. Astley, Assistant Director Customer & People Services; L. Higgins, Benefit Service Delivery Manager; S. Jones, Scrutiny Officer.

#### **CCSC-11 APOLOGIES FOR ABSENCE**

#### **CCSC-12 DECLARATIONS OF INTEREST**

Cllr. Sloan declared a non-pecuniary interest in matters relating to DWP.

#### **CCSC-13 COUNCIL TAX SUPPORT SCHEME**

Cllr. McClements reminded members that this was a joint meeting of the Budget & Finance and Co-operative & Communities Scrutiny Committees. This followed the meeting on 11<sup>th</sup> October and the purpose was to agree a joint response from the Committees to submit as part of the consultation on the proposed Council Tax Support (CTS) scheme.

Since 11<sup>th</sup> October the government had announced additional funding for transitional grants which local authorities could apply for to support the CTS scheme during the first year. The Assistant Director and Benefits Manager gave a briefing on the Transitional Grant Scheme making the following points:

- £100m had been made available nationally for authorities to apply for transitional grants after 31<sup>st</sup> January 2013 to support CTS schemes in 2013/14.
- The grant would be subject to a number of restrictions. The following limitations would apply to the proposed Telford & Wrekin CTS scheme:
  - the benefit entitlement for working age customers currently paying no Council Tax could be reduced by no more than 8.5% (the current proposal was 21%)
  - the maximum increase in earnings taper for working age customers not receiving full benefit would be 25% (currently 20%)
  - to ensure the calculation of CTS is based on 100% of Council Tax liability
  - limit dramatic increases in non-dependent deductions.
- Assuming the other elements of the proposed scheme remained unchanged, the

restrictions would have the following anticipated impacts:

- Applying for the grant would leave an overall estimated funding gap of £679k in 2013/14. The transitional grant would be worth £336k but restrictions on the scheme would mean collecting over £1m less. The deficit could not be passed on to benefit claimants and would need to be met internally.
- Increasing the taper to 25% would generate £189k additional income but could act as a disincentive to work contrary to the principles of the CTS scheme
- The Council would need another consultation on the revised scheme – even if this was launched immediately it would allow very limited time to make the necessary changes to the systems by April 2013.
- The Local Government Association (LGA) had claimed that the grant would be equivalent to 80% of the deficit from the reduction in the grant for Council Tax Support schemes, but this had assumed a reduction in case load and no increase in Council Tax.

Following the briefing there was a discussion during which members made a number of comments and asked a number of questions.

- Members were sceptical about the assertion that the Transitional Grant was equivalent to 80% of the funding deficit for authorities with a demographic like Telford & Wrekin.
- Members wanted further details about the impact of a further consultation and were told that the latest Councils could approve the CTS scheme was 31<sup>st</sup> January so a new consultation would need to be launched immediately to have the scheme approved by then. However, there was a huge amount of work to do on the systems and staff training once the scheme was approved and delaying approval until 31<sup>st</sup> January would make this very difficult. Even approving the scheme in November made the timescale for making the changes challenging.
- The legal position on consultation is that Councils can consult on a range of options but must then consult on the final proposed scheme. Because there would not be time to carry out a two phased consultation, if the Council decided to apply for the Transitional Grant there would only be one consultation on the final scheme which would have to assume the grant would be awarded at the level announced i.e. £336k for Telford & Wrekin although applications could not be made until after 31<sup>st</sup> January.
- The £100m funding allocation was thought to be for authorities in England (as opposed to nationally) and this would be confirmed after the meeting. The allocations for individual authorities had been based on a funding formula and the figure of £336k for Telford & Wrekin was the amount that would be awarded should the Council apply and there was certainty about the amount.
- The consultation on the proposed CTS scheme was still open. Feedback was being gathered and there seemed to be general support and agreement on the fairness of the scheme.

- Members examined and queried the figures presented and considered the financial implications of applying for the grant. Officers clarified that:
  - the grant would be £336k
  - an 8.5% cut in benefit for the 8,753 working age claimants paying no Council Tax would raise £542k but overall collection would be around £1.2m less than if the cut was 21% as proposed
  - the transitional grant would mean increasing the existing earnings taper level from 20% to 25%. This would mean an additional £189k would be collected, but would create a disincentive to work contrary to the principles of the CTS
  - overall, taking the grant and applying the restrictions would leave a deficit of £679k
  - the deficit could not be passed onto benefit claimants and would have to be found internally.

Members commented that in all likelihood this would mean making cuts to services which would undermine principle 1 of the CTS scheme. Also, the premise of the proposed scheme was to incentivise work and members were concerned that the Transitional Grant scheme may compromise this.

- Members wanted to know why the funding had been announced, and why it had been announced so late in the day when Council's had already consulted on, or were in still consulting on, CTS schemes. Officers could not comment on this, but it was noted there had been some opposition in the media to the welfare reforms and this could have put pressure on the government.
- It was too early to say whether other Councils would apply for the grant but information would emerge over the following couple of weeks.
- Members wanted to know if the Council took the grant whether the 8.5% cap on benefit cuts for working age claimants paying no Council Tax could be increased to 21% (as proposed in the current scheme) for the following year. Officers said that at the moment the Transitional Grant was only available for the first year so the restrictions would only apply for 2013/14 and thereafter authorities could reduce benefit further. The government's intention was to help authorities to monitor the impact of more limited changes and to gauge reaction during the transition year to help inform further changes to the scheme. However, new guidance was being issued by DCLG regularly and this could change in future.
- Under the CTS, the impact and risks of the funding reduction is shared between the Council and Police & Fire Services. The Town & Parish Councils are protected and this is a decision which was made nationally by DCLG.
- Members were very concerned about the cost implications of making the changes to IT systems and administering the CTS. Cllr. Sloan suggested this could be an issue for scrutiny to look into with scrutiny committees in other authorities. The AD welcomed the suggestion – the constraints of the IT system and staff training requirements had limited the options for the first year and the approach had been

to keep the scheme simple with the emphasis on getting the assumptions right. The scheme would be monitored during the first year of implementation to identify revisions to improve it for the following year and scrutiny's input would be welcome. From an IT point of view, different authorities operated on different platforms, although there were some who used the same system as Telford & Wrekin so there could be some opportunities to look at cost savings from joint working with those authorities.

- Members asked whether the Council had lobbied government on the CTS funding and the AD replied that there had been strong lobbying.

The AD and Benefits Manager left the meeting at the end of the questioning. Members then considered the information provided at the meeting on 11<sup>th</sup> October and at this meeting to agree their comments on the proposed CTS scheme.

Members first discussed the information on the Transitional Grant making the following comments:

- Cllr. Jhawar was concerned that £679k was a big funding gap and was likely to have an impact on other services, but also concern about the impact of the benefit cuts on claimants.
- The Chair was concerned that the CTS scheme was intended to incentivise work but the Transitional Grant did not support this.
- Cllr. S. Reynolds was concern about how the public would perceive the decision if the Council decided not to apply for the Transitional Grant, and the Council would be seen to be turning down money which could help people on benefits.
- Cllr. G. Reynolds felt that felt that the Transitional Grant was only a temporary solution and although the decision to cut benefits was horrible, the Council would only be storing up problems for the following year.
- Mr. Ellis felt that the Council should welcome opportunities to limit the impact of cuts on the public, but that to receive £336k to forgo £679k did not make financial sense, would jeopardise public services and would only defer difficult decisions for a year.
- Cllr. Sloan agreed with these remarks. He could see that the Transitional Grant scheme could help ease the transition for people who have never paid Council Tax before and that in the longer term this could improve collection rates and reduce the cost of collection, but in terms of the broader finances of the Council the grant did not make sense. He further commented that he felt Council Tax benefit should have been incorporated into the Universal Credit.
- Cllr. S. Reynolds thought that even if the grant meant there were improved collection rates over the longer term, the rate of improvement was unlikely to be

significant enough to offset the loss of £679k and applying for the grant did not add up for Telford & Wrekin, and that it was storing up problems for the following year.

- Mr. Williams was worried that the deficit would be made up by cuts to council services and that service cuts could impinge on vulnerable people.
- Mr. Ellis asked for clarification on whether any funding surplus created by authorities not applying for the grant would be redistributed to the applying authorities or whether it would go back to the Treasury. The Chairman replied that it was unlikely the surplus would be redistributed because grants are usually allocated on a formula basis, but clarification would be sought after the meeting.
- Cllr. England said he would not be in favour of the Council taking the grant.

Members then considered the information provided at the meeting on 11<sup>th</sup> October, additional information provided by e-mail in response to questions and further information heard at this meeting about the proposed CTS scheme. The following points were made during the discussion:

- Cllr. Sloan felt the scheme was as good as it could be for the first year, but that once it was up and running there needed to be an assessment of the unintended consequences to make improvements for 2014. He suggested that the Budget & Finance Scrutiny Committee and the Co-operative & Communities Scrutiny Committee should join up to scrutinise this over the year post-implementation. The Committees could look at the CTS scheme, the impact of changes to housing benefit and changes to the Social Fund, perhaps by looking at the impacts on the groups of people. There was agreement from members on this suggestion. Mr. Ellis further suggested that the Committees could work with scrutiny committees in other authorities to join up on wider issues related to Universal Credit and collection methods.
- Mr. Williams regretted the fact that cuts to benefit needed to be made but felt the proposed scheme was the least worst option and that if any aspect of the scheme was changed it would have an impact on other groups.
- The Chairman felt that on balance the scheme was the fairest possible.
- Cllr. S. Reynolds felt the scheme was the best possible that could be designed within the tight time and IT constraints and agreed that the scheme should be reviewed post-implementation.
- Cllr. Sloan felt an argument could be made for changing the single persons' discount which was set nationally.
- Members felt that there had been adequate consultation on the proposals and as efforts had been made to reach all people in the borough and not just those on benefit, but there were concerns that the consultation (Your Voice) may not have

reached people affected by the changes because some people put Your Voice in the bin without reading it. Members felt that an awareness campaign should continue, and that low or no cost ways of reaching target groups should be looked and Cllr. Reynolds suggested printing messages on housing benefit slips. Cllr, Sloan agreed this was important – nationally DWP had a campaign to telephone people affected by the benefit cap up to a year in advance.

- Cllr. G. Reynolds wanted to see consideration given to how empty properties would be identified and how the tax would be enforced, and whether tax liability would start from when the property is identified as being empty or be backdated.
- Members praised the hard work of the benefits team in preparing and presenting complex information for scrutiny, especially the Benefits Service Delivery Manager Lee Higgins.

At the end of the discussions the Chairman sought agreement from members that:

- The Committees make a recommendation to Cabinet members through Policy Review that the Council should not apply for the Transition Grant
- That a joint response from the Co-operative & Communities and Budget & Finance Scrutiny Committees would be submitted as part of the consultation on the CTS scheme and that the Scrutiny Officer would draft the response based on the discussion for comment and agreement by Members.

On a show of hands all Members except one were in agreement with both points.

**RESOLVED:**

- **That the Committees make a recommendation to Cabinet members at Policy Review that the Council does not apply for the Transitional Grant**
- **That a joint response on the CTS scheme will be submitted as part of the consultation**
- **That the Co-operative & Communities Scrutiny Committee and Budget & Finance Scrutiny Committee carry out a joint review of the CTS scheme post-implementation and other aspects to be scoped.**

**CCSC-14     2012/14 WORK PROGRAMME**

Members noted the date and agenda items for the next meeting at 6.0pm on 27<sup>th</sup> November 2012.

The meeting ended at 7.50 p.m.

**Chairman:**.....

**Date:**.....