

POLICY AND RESOURCES

CABINET BOARD

13 FEBRUARY 2014

FINANCE AND CORPORATE SERVICES

**REPORT OF THE DIRECTOR OF
FINANCE AND CORPORATE SERVICES – H. J. JENKINS**

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Part 1 - Doc. Code: PRB-130214-REP-FS

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ITEM 1

WELSH GOVERNMENT CONSULTATION - REVIEW OF COUNCIL TAX SUPPORT

Purpose of Report

- 1.1 The report sets out the suggested response to the Welsh Government Consultation in respect of Council Tax Support. The consultation period ends on 5th March 2014.

Background Information

- 1.2 Council Tax Benefit was replaced in April 2013 by a Council Tax Reduction Scheme more commonly known as Council Tax Support.
- 1.3 National Government funding for the scheme was reduced by approximately 10% compared to their funding level for the previous Council Tax Benefit Scheme. However, for 2013/14 the Welsh Government provided an additional £22m on top of its base funding of £222m to be provide financial support up to 100% for eligible claimants. For 2014/15 they have continued to support such a scheme with £244m being included in the 2014/15 Local Government Settlement.
- 1.4 The Welsh Government made regulations to introduce a National Scheme for Council Tax Support. However, the obligation remains upon each Council to adopt a scheme annually.
- 1.5 For 2014/15 Council adopted the current Council Tax Reduction Scheme on 22nd January 2014.
- 1.6 The cost of the Scheme at £16.8m exceeds the funding made available of £15.6m by the Welsh Government through the Local Government Settlement thus requiring this Council to take this issue into account as part of setting its Budget for 2014/15.

Current Position

- 1.7 The recently agreed 2014/15 Council Tax Reduction Scheme will end on 31st March 2015 and a new scheme will need to be adopted and implemented from 1st April 2015.

- 1.8 As Members have previously been informed the Council provides Council Tax Benefit Support to circa 19,000 households within the County Borough, of which approximately 14,000 receive full benefits and pay no Council Tax.
- 1.9 The Council Tax Reduction Scheme in Wales is set by Regulations made under Schedule 1B of the Local Government Finance Act 1992 (as inserted by the Local Government Finance Act 2012).
- 1.10 Although the Local Government Finance Act gives Welsh Ministers discretion to allow Local Authorities to determine the contents of schemes themselves, the Welsh Government have so far decided to establish a national framework for the provision of Council Tax Support in Wales and so avoid what has been termed a "postcode lottery" whereby eligibility for a Council Tax reduction and the size of the Council Tax reduction for particular groups could be different in different council areas.
- 1.12 It is required by the Prescribed Requirements Regulations that the Council adopts a Council Tax Reduction Scheme for 2015/16 by 31 January 2015 assuming that Welsh Government determine that such a scheme is required.
- 1.13 The Welsh Government is now consulting on the requirement for Council Tax Support for implementation from 2015/16 onwards. A copy of the consultation document is shown at Appendix A.

Consultation Issues

- 1.14 The challenge set out as part of the Consultation is to develop a Council Tax Support Scheme that is affordable and provides the best financial support to low income families and households. As mentioned earlier the cost of the existing Scheme is estimated to cost this Authority £1.2m more than the funding being made available through the Local Government Settlement. This shortfall has had to be absorbed at the expense of other services that the public and service users across the County Borough require from this Council.
- 1.15 Attached at Appendix B is the draft response to the Consultation taking account of these above mentioned significant issues. It is imperative that whilst support to the most vulnerable people in our communities is maximised it can only be achieved within targeted financial resources.

Equalities Implications and Consultation Exercise

- 1.16 The Welsh Government is currently consulting on a new scheme of Council Tax Support and if required this Council will consult with its constituents on any new proposed scheme.
- 1.17 The Welsh Government will need to undertake an Equality Impact Assessment before implementing any new scheme. This Authority will also do so if required.

Recommendations

- 1.18 It is recommended that members consider and approve that the Director of Finance and Corporate Services responds to the Welsh Government in relation to their Consultation on Reviewing Council Tax Support in line with the draft response set out in Appendix B and as amended by members at the meeting of Scrutiny and Cabinet.

Background Documents

Neath Port Talbot County Borough Council's Council Tax Reduction Scheme 2014/15 as approved by Council at its meeting of 22nd January 2014.

Welsh Government Consultation - Review of Council Tax Support.

Appendices

- Appendix A - Welsh Government Consultation - Review of Council Tax Support
- Appendix B - Neath Port Talbot County Borough Council's Draft Consultation Response

Wards Affected

All.

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COMPLIANCE STATEMENT

ITEM 1

WELSH GOVERNMENT CONSULTATION - REVIEW OF COUNCIL TAX SUPPORT

(a) **Implementation of Decision**

The decision is proposed for implementation after the 3 day call-in period.

(b) **Sustainability Appraisal**

Community Plan Impacts:

Economic Prosperity	Positive
Education and Lifelong Learning	No impact
Better Health and Well Being	Positive
Environment and Transport	No impact
Crime and Disorder	No impact

Other Impacts:

Welsh Language	No impact
Sustainable Development	Positive
Equalities	Positive
Social Inclusion	Positive

(c) **Consultation**

There has been no requirement to consult under the Forward Work Programme.

Number: WG20463

Welsh Government

Consultation Document

Review of Council Tax Support

Date of issue: **12 December 2013**

Action required: Responses by **5 March 2014**

Overview

The Welsh Government is reviewing the options for the future of Council Tax Support in Wales. Our aim is to design a scheme which is equitable and sustainable, and delivers the maximum protection for low income and vulnerable households within the financial constraints. This consultation seeks your views on the difficult decisions which will need to be made as part of the review.

How to respond

We welcome your comments on the options and these can be sent to us using the online form, via post or by e-mail.

Further information and related documents

Large print, Braille and alternate language versions of this document are available on request.

Contact details

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Data protection

How the views and information you give us will be used

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

Foreword – Minister for Local Government and Government Business

Continuing to tackle poverty is one of the Welsh Government's top priorities, and we are determined to protect low income and vulnerable families from the effects of poverty in every way we can. However, the relentless downward pressure on our budgets, as a result of decisions made by the UK Government, requires us to make difficult choices about how best to achieve this. There are few areas of policy where these choices are thrown into sharper focus than in relation to council tax support.

Following the UK Government's decision to abolish Council Tax Benefit and cut the funding for replacement schemes, we put in place Council Tax Reduction Scheme Regulations for 2013-14 which protect entitlements for low income households. This approach will continue for 2014-15. We have bridged the shortfall in the funding transferred from the UK Government with an additional £22 million of Welsh Government funding, with Local Government picking up the balance.

However, whilst the UK Government's transfer to us remains flat in cash terms, the cost of maintaining entitlements will increase year on year, making it more and more difficult for both Welsh Government and Local Government to sustain this protection. Therefore, we are reviewing our options for the medium and long term future of council tax support. Our aim is to develop an equitable and sustainable system which delivers the maximum protection for low income and vulnerable households. This is a significant challenge within the overall financial constraints we face.

The options are stark. If we reduce entitlements to a level deliverable within the reduced funding transfer, we will expose low income and vulnerable households to an increase in their Council Tax bill. This is at a time when many are struggling to cope with the impact of other changes to the welfare system imposed by the UK Coalition Government, many of which mean reduced incomes. If we maintain entitlements, there is a real risk the increased financial pressures of paying for this will impact negatively on some of the local services on which many of these households may depend.

We face some difficult but important decisions about the future shape of council tax support in Wales. It is, therefore, vital we understand the views of all those who may be affected, or who have an interest in the future of Council Tax Support. I encourage you to respond to this consultation.

Introduction

In October 2010, the UK Government announced its intention to abolish Council Tax Benefit (CTB) and cut funding for replacement schemes. CTB was abolished on 31 March 2013 and the responsibility for developing a replacement scheme for Wales was taken up by the Welsh Government. The Welsh Government introduced a system for Council Tax Support for 2013-14, and the regulations governing the system for 2014-15 have recently been approved by the Assembly. A summary of how the Council Tax Reduction Scheme (CTRS) operates can be found at Annex A.

The UK Government has transferred £222 million to the Welsh Government for 2013-14, and will transfer a further £222 million in each of 2014-15 and 2015-16. Thereafter, funding will be included in the overall Welsh budget. The reduction in funding for replacement schemes means this transfer is insufficient on its own to continue to maintain the same level of support as was provided under CTB. The Welsh Government is therefore providing an additional £22 million in 2013-14 and 2014-15 to support Local Authorities in maintaining entitlements, with Authorities meeting the remaining costs. However, whilst the transfer from the UK Government is not increasing, the cost of maintaining entitlements will rise year on year if council tax rises, or the number of eligible applicants increases, placing an increasing financial pressure on the Welsh Government and Local Authorities, which will become more and more difficult to sustain.

We are therefore reviewing the options for the future of Council Tax Support in Wales. Our aim is a scheme which is equitable and sustainable, and delivers the maximum protection for low income and vulnerable households within the financial constraints. This consultation seeks your views on the difficult decisions which will need to be made as part of the review.

Six policy options have been outlined in detail (see page 12). However, the options for the future are broad and are interrelated with UK Government welfare reforms (e.g. the introduction of Universal Credit) and Welsh Government policies (e.g. Public Service Governance and Delivery). New policy options may emerge overtime. This consultation is part of the ongoing process of gathering and evaluating the evidence about what an equitable and sustainable solution will look like.

Considering the proportional impact any future support scheme will have on groups with protected characteristics is central to the decision-making process. The Welsh Government has undertaken an Equality Impact Assessment. It outlines key factors to take into account when considering any future scheme but it focuses on the six policy options considered in detail so far. More information about the assessment can be found at Annex D.

Continuing with a system of Council Tax Support

The previous CTB system was abolished by the UK Government, and no related powers or duties were devolved to the Welsh Government. We are not obliged to continue to provide a system of council tax support, but could instead use the transferred funding for other purposes.

However, removing all support would expose low income households to the full impact of Council Tax. Given over 300,000 households benefit from CTRS, around 70% of which pay no Council Tax as a result, the impact could be significant. We therefore intend to continue with a scheme which supports low income and vulnerable households in meeting their Council Tax bills.

Question 1: Do you agree the Welsh Government should maintain a system of Council Tax Support?

The benefits and costs of maintaining entitlements

Households in receipt of CTRS receive a full or partial reduction in their Council Tax liability. The 'cost' of maintaining entitlements is the Council Tax revenue lost to Local Authorities from households in receipt of CTRS. Currently, the maximum possible reduction under CTRS is 100% of a household's Council Tax liability, which means they pay no council tax.

In October 2013, the value of the average CTRS reduction in Wales was £770, but reductions vary depending on the circumstances of the household, the tax band of the property in which they live, and the level of council tax set by their Local Authority. If existing entitlements had not been protected, and the maximum CTRS entitlement was capped at 90% of a household's council tax liability in 2013-14 to reduce the cost in line with the reduction in funding provided by the UK Government, the average annual loss per household by Local Authority would be between around £70 and £100. Other options for reducing entitlements would have different impacts; this is discussed further below. Many of the households who would be affected by a reduction in CTRS entitlement will also see a reduction in income as a result of other welfare reform changes. ¹

In addition, the impact of any mechanism by which entitlements are reduced will vary, and some households would face a greater impact. For example, there are around 5,300 households in Band F properties which receive CTRS. The average Band F bill in Wales in 2013-14 is £1,771, so Band F households with full CTRS entitlement who currently pay no council tax, would face an annual bill averaging £177 if CTRS entitlement were capped at 90% of Council Tax liability. Under a system where maximum entitlement was capped at the Band B Council Tax rate, a Band F household would face a Council Tax bill of between £758 and £1017 depending on the Authority in which they live.

¹ Full details of the impacts can be found in the Welsh Government-commissioned programme of research to assess the impact on Council Tax of the UK Government's welfare reforms in Wales.
<http://wales.gov.uk/topics/socialjustice/publications/analysingreforms/?lang=en>

The Welsh Government is supplementing the UK Government funding transfer with an additional £22 million in 2013-14 and 2014-15 to support Local Authorities in maintaining existing entitlements, giving a total of £244 million. However if Council Taxes continue to rise at current rates, by 2015-16 the estimated total cost of maintaining existing levels of Council Tax Support could increase to over £260million, around £40 million more than the provision from the UK Government. To maintain entitlements without reducing the funding available for local services, the gap would have to be made up in some way.

Continuing to maintain entitlements will thus place an increasing burden on Welsh Government and/or Local Government finances, at a time when overall budgets are likely to continue to contract. Additional investment provided by Welsh Government to maintain entitlements is funding which is not then available to invest elsewhere. The impact of maintaining entitlements, in terms of the revenue lost to Authorities from households receiving CTRS, is likely to fall on local services, which may themselves also be providing support to some of the low income and vulnerable households who benefit from CTRS. Equally, reducing entitlement to CTRS will have a direct impact on the income of Wales' poorest and most vulnerable households at the same time as they are facing reductions in income through the welfare reforms.

Question 2a: Given the financial pressures and the likely impact on local services, should entitlements be maintained at current levels from 2015-16? Or should entitlements be reduced, exposing low income and vulnerable families to increases in the Council Tax they have to pay?

Question 2b: If entitlements are maintained, how should the gap be funded? Should the Welsh Government pay, should Local Government pay, or should the cost be shared?

Question 2c: If some of the costs continue to be met by Local Authorities, what might be the implications for the communities for whom they provide services?

Generating additional revenue to offset the cost of maintaining entitlement

It may be possible to make changes to the Council Tax system to generate additional income to offset the additional cost of maintaining entitlement by making changes to the exemptions and discounts which currently apply. A brief summary of the legislative position, including current discounts and exemptions, can be found at Annex C.

However, Council Tax is a local tax intended to support the cost of delivering local services, and a clear rationale would be required for removing the discounts or exemptions for specific groups of Council Tax payers in this way. There would also be practical challenges, since the impact of such changes (and the additional revenue raised) would vary widely between Authorities. They could also add further complexity to an already complex system. Furthermore, some of the changes could

only be delivered through primary legislation. This could not be delivered by 2015-16, so such options can only be considered as part of a longer term solution.

Question 3a: Should some of the costs of maintaining entitlement be offset by changes to the Council Tax system itself, to enable Local Authorities to generate additional revenue? If so, how? What are the implications of making changes to the Council Tax system itself? What would be the administrative implications for Local Authorities?

Question 3b: Should any such changes be prescribed nationally or should there be local flexibility?

The options available if entitlement cannot be maintained

CTRS entitlement has been maintained in Wales in 2013-14 and 2014-15, and no decisions have yet been taken about the future of CTRS for 2015-16 and beyond. However, the cost of maintaining entitlement will become more and more difficult to sustain from 2015-16 onwards. It is possible therefore the level of entitlement will have to be reduced, and views are sought on the ways in which this could most equitably and sustainably be achieved. Some of the specific options are outlined further below. However, there are two fundamental questions which first need to be determined.

Protecting groups from the impact of reducing entitlement

This is about whether to apply an across-the-board requirement for all households to pay part of their Council Tax liability. Before the Welsh Government's decision to provide an additional £22 million to maintain entitlement, arrangements were put in place for 2013-14 which would have rebated a fixed maximum percentage of a recipient's Council Tax liability, in line with the reduced funding received from the UK Government. As a result, all households would have been liable to pay some of their Council Tax bill. No groups were to be protected, as non-protected households would then have faced a greater reduction in support. However, an across-the-board cap does not take account of whether it may be more difficult for some groups to increase their income to meet the additional cost.

In England, Authorities are required to maintain full support for pensioners but can determine the level of support for working-age households within the constraints of the reduction in funding. The UK Government's rationale for protecting support for pensioners is that the elderly cannot go out to work, and it wishes to maintain their dignity and security in retirement. The consequence is a greater burden on CTRS recipients of working age. In addition, there are other groups who may find it difficult or impossible to work, such as those with disabilities. A number of English Authorities who have not protected entitlements for all, have maintained protection for other vulnerable groups, such as those with disabilities, carers, those in receipt of war pensions, or families with children under five. A case can be made for protecting all such groups (and perhaps others as well) but this would mean more dramatic reductions in support for those groups who are not protected.

If entitlements have to be reduced, the impact on groups with protected characteristics as defined in the Equality Act 2010 needs to be carefully assessed. Protected characteristics within the Act include: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. An initial Equality Impact Assessment is attached at Annex C. Comments are welcomed. Consideration of equality impacts will continue to be assessed throughout the development of any future scheme, and will have a key role in determining the final decision.

Question 4a: If entitlements have to be reduced, should everyone pay a proportion of their Council Tax, or should some groups be protected?

Question 4b: If you think any groups should be protected, which groups and on what grounds?

Question 4c: What are the equality implications and potential impacts on those with protected characteristics of making everyone pay a proportion of their Council Tax, or of protecting particular groups?

National and Local Approaches

This is about whether to continue with a single national framework scheme with some areas of local discretion, or move to a localised approach as has happened in England.

A national framework scheme means one which ensures support is calculated in the same way for anyone claiming a reduction in their Council Tax liability with the same personal circumstances, but resident in different Authorities. If entitlements cannot be maintained for all, decisions about how to reduce entitlement could either be made by the Welsh Government (subject to Assembly approval), or responsibility passed to Local Government.

A national framework scheme will ensure continued equity of treatment for those receiving CTRS, regardless of which Authority they reside in. It will avoid a scenario where households in different Authorities become liable for different proportions of their Council Tax bill, despite having the same personal circumstances. If overall entitlements have to be reduced, retaining a national scheme represents the most equitable approach.

The alternative would be to give Authorities flexibility to devise local schemes. Authorities could be given complete discretion, or certain minimum requirements could be nationally prescribed. This would introduce a degree of inequity into the system but would also allow Authorities to tailor schemes to their own circumstances and manage the financial risks as part of their approach to calculating their budget requirement and setting council tax. Authorities would become accountable for the levels of Council Tax Support which their residents could receive, as they are already accountable for the level of Council Tax itself.

In essence, measured against the objective of devising a solution which is equitable and sustainable, a national framework scheme is a more equitable approach, but a local approach is likely to offer more options for a scheme which is sustainable in the medium to long term.

Question 5a: If entitlements have to be reduced, should this be through a single national framework scheme proposed by Welsh Ministers and approved by the Assembly or should Local Authorities have flexibility to devise local solutions?

Question 5b: If a localised approach is introduced, should Local Authorities have full flexibility or should some national prescription be maintained? What aspects of a CTRS scheme would it be appropriate to determine locally?

Options to reduce entitlement

If entitlement has to be reduced, there is a range of options for doing so. Some are listed below². The options will impact in different ways on households currently in receipt of CTRS and on Local Authority Revenue. Some will affect all recipients whilst others will not. Some options will have a similar effect on the revenues of all Authorities whilst, for others, the effects will vary significantly. It may also be possible to combine options: some Authorities in England have introduced an across-the-board cut in entitlement and a band cap, for example. The options may also have different administrative impacts on Authorities. Some of the options below are based around the cut in funding for Council Tax Support. As the cost of maintaining entitlements increases year on year, some of the options presented below will not be sufficient to fully offset the shortfall in funding.

Option 1 – CTRS is based on a fixed percentage of council tax liability

Under this option, all households have to pay a percentage of their Council Tax liability, regardless of their personal circumstances or the band of property in which they live. They then receive CTRS to help them pay for the remaining percentage.

Impact on recipients: Band D Council Tax levels in Wales in 2013-14 range from £974.36 to £1,525.87. Band D households currently in receipt of full CTRS, would pay, for example, 10% of their bill, which would range from £97 to £153, depending on the Authority in which they live. The average annual household loss by Authority (i.e. across all CTRS households) in 2013-14 would range from £72 to £102, with at least 96% of CTRS-entitled households in each Authority affected. This option withdraws more support from those in partial CTRS than option 2 below.

Impact on LA revenues: Across all 22 Authorities the total 'saving' (in terms of additional revenue collected) would be around £28 million, with the proportionate impact on revenues broadly equal across Authorities (at between 10.9% and 11.5% of their CTRS expenditure).

² Figures used in this section are based on data extracted from Datatank software. They have not been independently validated, but are considered sufficiently robust to provide an indication of the likely impacts of the options described.

Option 2 - Council Tax Support is cut by a fixed percentage across-the-board

Entitlement is calculated as normal, but all reductions are then reduced by the percentage.

Impact on recipients: The impact on those currently in receipt of full CTRS is the same as for the previous option but, because of the way in which the reduction is calculated, this option is slightly more beneficial for those in receipt of a partial reduction of CTRS. The average annual household loss by Authority ranges from £64 to £89, again with at least 96% of households affected in every Authority.

Impact on LA revenues: Across all 22 Authorities the total 'saving' (in terms of additional revenue collected) would be around £25 million, with the proportionate impact on revenues equal across Authorities.

Option 3 - Capping CTRS entitlement at the Council Tax liability for the band below the one in which the recipient lives

The maximum reduction in Council Tax liability is capped at the Council Tax rate for the tax band below that for the dwelling. So a Band B household's CTRS reduction would be equal to that for a Band A dwelling in their Authority, a Band C reduction would be capped at the Band B level and so on.

Impact on recipients: The impact would depend on the band of the property in which they live and on their Authority. The annual average household loss by Authority would range from £101 to £152, and at least 96% of CTRS-entitled households would be affected in all areas.

Impact on LA revenues: Across all Authorities the total saving would be £40 million, and in contrast to the other property band-based options above, the impact would be broadly the same across individual Authorities (ranging from 14.9% to 18.7%).

Option 4 - Reducing entitlement by capping CTRS entitlement at the Council Tax liability for a Band B property

Entitlement to CTRS is calculated as normal, but the maximum reduction in Council Tax liability is capped at the level of Council Tax for a Band B property. Full entitlement is maintained for Bands A and B, but all other households have to pay part of their Council Tax, with those in higher band properties paying more.

Impact on recipients: The Band B council tax charge 2013-14 ranges from £758 to £1,187. A band D household currently receiving full CTRS would face a bill of between £217 and £339, which is the difference between the Band B and D rates in their area. Residents in Bands A and B would be protected, but those in higher bands would pay more than under the previous options. The average annual loss for households affected is therefore higher than for the previous options, ranging from £160 to £291. The proportions of CTRS-entitled households affected would vary widely between Authorities (from 5% to almost 70%), because of the variation in the numbers of Band A and B properties.

Impact on LA revenues: Across all Authorities the total 'saving' would be £27 million, but the impact would vary between Authorities from only 1.6% of CTRS income to over 23%, with the more deprived areas generating less additional revenue and those with larger numbers of higher band properties generating more. Without a mechanism to redistribute the funding released, some Authorities would still face a substantial shortfall.

Option 5 - Reducing entitlement by removing entitlement entirely from residents in Band E and above

Residents in Band E or above are automatically disallowed from any entitlement to CTRS. Residents of Bands A to D are unaffected: their entitlements are protected, and are determined in the same way as now.

Impact on recipients: The CTRS entitlements for those in Bands A to D are unaffected, and these residents account for around 93% of the total caseload. However, the rise in Council Tax liability for residents in higher property bands who currently receive CTRS would be very steep. The average CTRS reduction paid to Band E households is £1084, but under this option, they would receive no reduction, and would be liable for their full Council Tax bill. The proportion of CTRS households affected in each Authority would vary from less than 1% to over 17%.

Impact on LA revenues: Across all Authorities the total saving would be £26 million, (or around 10.6% of CTRS expenditure) but again the impact would vary between Authorities because of the variation in the numbers of properties in each band.

Option 6 – Increase the income taper to 30%

For CTRS recipients subject to the means test, if their income exceeds their applicable amount, their weekly entitlement is reduced by 20p for each £1 of excess weekly income (the taper), until entitlement is fully withdrawn. This option would increase the reduction to 30p for each £1, leading to a steeper fall in entitlement as income increases.

Impact on recipients: Those in receipt of full CTRS would be unaffected, but those on partial reductions would see their entitlement reduced. This is likely to affect between 19% and 25% of CTRS households, with an average loss ranging between £114 and £189. An increase in the taper rate will erode any additional income generated from working, reducing the incentive for those receiving welfare benefits to find work or increase earnings.

Impact on LA revenues: Across all Authorities the total saving would be approximately £9.2 million, and the impact would be broadly the same across individual Authorities.

Question 6a: If entitlement has to be reduced, what is the most equitable and sustainable option (or combination of options) for doing so? What are the

implications for groups with protected characteristics under the Equality Act? What would be the impact on the rights of children and young people?

Question 6b: Are there other options which should be considered? If so, how would they work and what advantages would they offer? What would be the equality impacts?

Question 6c: What are the relative administrative implications for Local Authorities of the different options?

Question 6d: The impact of some property band based options on revenues will vary widely from Authority to Authority. How might these variations be mitigated if such options are implemented?

Welfare Reform

The future of CTRS needs to be considered in the context of wider welfare reform changes, since these will inevitably affect the way in which CTRS entitlements are determined, and the system is administered. In particular, the impact of Universal Credit will be significant, for example because it will replace the out of work benefits for which entitlement currently means an automatic full reduction of CTRS, and information about what data DWP will share with Authorities in the future is at present unclear. However, the roll-out of UC has been delayed, and in the meantime the CTRS system needs to remain closely aligned to Housing Benefit, alongside which it is administered by Local Authorities.

Question 7a: In the longer term, it may be desirable or necessary to make changes to the system of means testing, as UC is fully rolled out, but our proposal is to retain the existing means testing approach in the medium term. What are your views on this?

Question 7b: What are the main implications of wider welfare reforms for CTRS, and how should these be addressed?

Commission on Public Service Governance and Delivery

As part of its commitment to strengthen the delivery of efficient, effective and accessible public services, the Welsh Government has established a Commission on Public Service Governance and Delivery. The Commission is due to publish its findings in [add], before this consultation ends. Decisions about the future of CTRS in the medium term cannot be delayed, but it is possible the findings of the Commission and the Welsh Government's response will have implications for CTRS.

Question 8: What are the implications of the Commission's findings for the future of CTRS?

Annex A: Summary of Consultation Questions

Question 1: Do you agree the Welsh Government should maintain a system of Council Tax Support?

Question 2a: Given the financial pressures, and the likely impact on local services, should entitlements be maintained at current levels from 2015-16? Or should entitlements be reduced, exposing low income and vulnerable families to increases in the Council Tax they have to pay?

Question 2b: If entitlements are maintained, how should the gap be funded? Should the Welsh Government pay, should Local Government pay, or should the cost be shared?

Question 2c: If some of the costs continue to be met by Local Authorities, what might be the implications for the communities for whom they provide services?

Question 3a: Should some of the costs of maintaining entitlement be offset by changes to the Council Tax system itself, to enable Local Authorities to generate additional revenue? If so, how? What are the implications of making changes to the Council Tax system itself? What would be the administrative implications for Local Authorities?

Question 3b: Should any such changes be prescribed nationally or should there be local flexibility?

Question 4a: If entitlements have to be reduced, should everyone pay a proportion of their Council Tax, or should some groups be protected?

Question 4b: If you think any groups should be protected, which groups and on what grounds?

Question 4c: What are the equality implications and potential impacts on those with protected characteristics of making everyone pay a proportion of their Council Tax, or of protecting particular groups?

Question 5a: If entitlements have to be reduced, should this be through a single national framework scheme proposed by Welsh Ministers and approved by the Assembly or should Local Authorities have flexibility to devise local solutions?

Question 5b: If a localised approach is introduced, should Local Authorities have full flexibility or should some national prescription be maintained? What aspects of a CTRS scheme would it be appropriate to determine locally?

Question 6a: If entitlement has to be reduced, what is the most equitable and sustainable option (or combination of options) for doing so? What are the implications for groups with protected characteristics under the Equality Act? What would be the impact on the rights of children and young people?

Question 6b: Are there other options which should be considered? If so, how would they work and what advantages would they offer? What would be the equality impacts?

Question 6c: What are the relative administrative implications for Local Authorities of the different options?

Question 6d: The impact of some property band based options on revenues will vary widely from Authority to Authority. How might these variations be mitigated if such options are implemented?

Question 7a: In the longer term, it may be desirable or necessary to make changes to the system of means testing, as UC is fully rolled out, but our proposal is to retain the existing means testing approach in the medium term. What are your views on this?

Question 7b: What are the main implications of wider welfare reforms for CTRS, and how should these be addressed?

Question 8: What are the implications of the Commission's findings for the future of CTRS?

Annex B: CTRS entitlement

Who is liable for Council Tax?

Legal liability for Council Tax usually rests with the occupants of a residential property. Residential properties are allocated into one of nine valuation bands, and the amount of Council Tax payable for a property in Band D is set annually by the Local Authority, from which the liability for other valuation bands is calculated on a pro rata basis, using nationally set ratios.

There are however a number of discounts and exemptions:

- If only one liable adult lives in a property, their Council Tax is reduced by 25%
- Second and long term empty properties can attract a discount of between 0% and 50% at the discretion of the Local Authority³
- Properties adapted for use by disabled people are moved down one valuation band
- Some groups are not counted as liable adults, such as students studying fulltime in HE establishments, carers, and those in residential or nursing care.

What is the purpose of CTRS?

CTRS replaced CTB, which was abolished in March 2013, and is intended to support low income households by reducing their Council Tax liability. For all households, entitlement is calculated through a means test. Currently, maximum entitlement reduces a household's Council Tax liability to zero (less any deductions made for non-dependants).

How is CTRS entitlement calculated?

For all applicants there is an applicable amount which is an amount of money that they are judged to need to live on. The applicable amount is a centrally determined measure of minimum need consisting of two components. The first is the personal allowance the basic amount on which a person needs to live, which varies according to the household's circumstances. Allowances are substantially higher for those who have reached State Pension age, to provide additional protection for pensioners income. The second component is the premium, additional amounts added to reflect any personal circumstances which increase the cost of living, primarily disabilities. As a result, the applicable amount can vary widely from household to household, depending on the age of household members and whether or not any members have disabilities or caring responsibilities. In order to determine a person's entitlement to a reduction in their Council Tax liability the income that they receive is compared to this applicable amount. Once the applicable amount has been determined, the applicant's level of income is calculated. If an applicant receives Income Support, income based JSA, income based ESA, Pension Credit, or Pension Credit Guarantee, for the purpose of the means test they are treated as though they

³ The Housing Bill recently introduced to the NAFW will give Local Authorities the power to charge 50% more than the standard rate of council tax on homes have been empty for a year or more. The Welsh Government has also recently consulted on the future of council tax on second homes.

receive no income. As such their level of income is lower than their applicable amount and they are entitled to the maximum reduction in their Council Tax liability, which currently means a reduction to zero (less any deductions for non-dependants see below). This entitlement, based on receipt of other qualifying benefits, is known as pass-porting.

If the applicant does not receive any of the pass-ported benefits the applicant's level of income is calculated. This includes actual income (such as from employment, pensions or some other benefits), and income assumed to be earned from non pension savings above £6,000 (£10,000 for pensioners). Applicants with savings of more than £16,000 are not entitled to CTRS unless they are in receipt of Pension Credit Guarantee Credit. A small amount of earnings is disregarded when calculating income there are standard disregards for single people, lone parents, etc., and higher ones for particular groups such as those with disabilities.

The level of income is then compared to applicable amount. If the applicable amount is higher than calculated income, the applicant receives the maximum reduction in their Council Tax liability. If income exceeds the applicable amount, this weekly entitlement is reduced by 20p for each £1 of excess weekly income (the taper), until entitlement is fully withdrawn.

Awards of CTRS are also reduced to take account of any adult residents of a household who are assumed to be contributing towards the bill. These are known as non-dependant deductions and the level of deduction is calculated based on the non-dependant's level of income.

What do we mean by maintaining entitlements to CTRS?

Based on the key components of the CTRS, maintaining entitlements would therefore mean:

- Continuing to provide for a reduction to zero (less any non-dependant deductions) in the council tax liability of any applicant who is in receipt of qualifying out of work benefits, or whose assessed income is less than the applicable amount for their circumstances
- Increasing (up-rating) non-dependant deductions in line with the cost of living
- Increasing (up-rating) the allowances which make up the applicable amounts annually in line with the cost of living
- Not making any changes to the types of income which are/are not counted as income for the purposes of the means test (benefits, child maintenance, spousal maintenance, pension savings, etc.)
- Continuing to deduct childcare costs from income at current levels, and increasing these levels in line with cost of living
- Not making any changes to the savings thresholds, or to the assumed rate at which income is generated by savings
- Increasing earnings disregards annually in line with the cost of living
- Not changing the 20% income taper

Annex C: Legislative Background

Local Government Finance Act 1992 - Council Tax Reduction Schemes

Section 13A of the Local Government Finance Act 1992 (the 1992 Act) requires the amount of council tax which a person is liable to pay to be reduced to the extent (if any) required by any Council Tax Reduction Scheme made in accordance with regulations made by Welsh Ministers under section 13A(4). The Regulation making power of the Welsh Ministers enables them, amongst other things, to require a person or body to make a scheme specifying the reductions which are to apply, and impose requirements about matters which must be included in any schemes.

In essence, this regulation making power can be utilised to introduce a national framework, based around the application of a reduction to a person's Council Tax liability, which could be a reduction to nil. It could also be used to introduce virtually all scheme designs implemented by English Authorities, and may be used to permit other approaches which have not been introduced in England. By way of the regulations, it would also be possible for us to move from a national scheme to local schemes, or potentially to retain a national scheme but with a greater degree of local flexibility than is currently the case. The Regulations could not however be utilised to introduce a scheme which was not based on the application of a reduction in Council Tax liability.

Local Government Finance Act 1992 - Council Tax powers

The 1992 Act sets out the framework for the Council Tax system in England and Wales. It includes a series of powers to make regulations and orders which can change the way in which council tax operates.

Section 4 of the 1992 Act enables Welsh Ministers to, by order, prescribe any class of dwelling as exempt for the purposes of council tax. A class of dwellings may be prescribed by reference to their physical characteristics, or the fact they are unoccupied, occupied for prescribed purposes or are occupied or owned by persons of prescribed descriptions. A list of exemptions can be found below.

Section 5 sets out the Council Tax bands and the proportion of council tax payable for dwellings in each band. The Welsh Ministers have a power to, by order, change the proportion of council tax payable by each band, and to change the bands themselves.

Section 11 prescribes discounts which are to be applied to dwellings with only one liable resident (the single person discount), and dwellings with no liable residents (the empty property discount). Section 11 provides that

- for the single person discount, the amount payable is to be discounted by an amount equal to the appropriate percentage
- for the empty property discount, the amount payable is to be discounted by an amount equal to twice the appropriate percentage.

The 1992 Act sets the appropriate percentage at 25 per cent. The Act also provides power for the Welsh Ministers to, by order, specify a different appropriate percentage, thereby changing the discount which applies in respect of single liable adults and empty properties. The appropriate percentage (and thus the applicable discount) cannot however be reduced only in respect of single liable adults, or only in respect of empty properties.

Section 12 enables the Welsh Ministers to, by regulations, prescribe one or more classes of dwelling (by reference to such factors as they see fit and this could include a reference to the physical characteristics of dwellings, or the fact that dwellings are unoccupied), in respect of which a billing Authority may, by determination, reduce or dis-apply the discount prescribed within section 11 in respect of empty properties. In other words, Welsh Ministers have the power to allow billing Authorities to determine locally the empty property discount for certain classes of dwellings. This power does not extend to the single person discount.

Acts of the Assembly

Schedule 7 to the Government of Wales Act 2006 sets out the matters in respect of which the National Assembly for Wales has the legislative competence to make Acts of the Assembly. The subject heading Local Government includes Local Government Finance. The Assembly's legislative competence provides the potential to make changes to the council tax system itself through an Act of the Assembly (beyond what is possible under the executive powers described above) as part of any design for the longer term future of Council Tax Support.

Schedule 7 also includes Social Welfare as a subject in respect of which Assembly can make legislative provision within Acts, but this lists social security as a specific exception. This means any option for the future of council tax support which, because of its design falls within the definition of a social security benefit, would be outside the legislative powers of Assembly and could not therefore be delivered. .

Council Tax Exemptions

- A** - Structural alterations or major repairs being carried out
- B** - The property is unoccupied and owned by a charity. Exempt for up to six months.
- C** - The property is empty and unfurnished (exemption may apply)
- D** - The property is unoccupied because the person responsible for Council Tax is in prison (except for non-payment of fines or local taxes).
- E** - The property is unoccupied because the person responsible for Council Tax is now living in a hospital, residential care home or nursing home.
- F** - The property is unoccupied following the death of the person responsible for the Council Tax. Exemption continues for up to six months after probate or letters of administration, relating to the death are granted.
- G** - An empty property where occupation is prevented by law.
- H** - An unoccupied property being held for a minister of religion.

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- I** - The property is unoccupied because the person responsible for Council Tax is living elsewhere to receive care.
- J** - The property is unoccupied because the person responsible for Council Tax is living elsewhere to provide care.
- K** - The property is unoccupied because the person responsible for Council Tax is a student living elsewhere to study.
- L** - An unoccupied property repossessed by a mortgage lender.
- M** - The property is a students' hall of residence.
- N** - The property is only lived in by full-time students.
- O** - The property is only lived in by UK armed forces.
- P** - The property is only lived in by visiting service personnel.
- Q** - The property is left unoccupied by a trustee in bankruptcy.
- R** - The property is an empty caravan pitch or boat mooring.
- S** - The property is only lived in by people aged under 18.
- T** - The property is an unoccupied annexe of another property may not be let or occupied separately due to planning restrictions.
- U** - The property is only lived in by severely mentally impaired people.
- V** - The property is lived in by at least one foreign diplomat or specified member of an international organisation.
- W** - The property is an occupied annexe of another property (sometimes known as a 'granny annexe') and is used by a dependent relative of the person responsible for Council Tax.

Annex D: Equality Impact Assessment

This Annex has been included to aid respondents' understanding about what impact any future scheme will have on particular groups and other equality duty obligations. There is no easy way to manage the growing shortfall for Council Tax Support over the medium and long term. It is, therefore, important any changes to existing entitlements are considered in terms of the **proportional impact** on different population groups in society.

What are Welsh Government's obligations?

Under the equality duty (set out in section 149 of the Equality Act 2010), many public Authorities including the Welsh Government and Local Authorities must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. **The protected characteristics covered by the equality duty are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.**

It must also act in a way which is consistent with United Nations Treaties and the Human Rights Conventions including the United Nations Convention on the Rights of the Child. In answering the consultation questions respondents are encouraged to consider how policy options may have a bearing on the above equality considerations.

The Welsh Government is conducting an Equality Impact Assessment to inform and develop policy options as part of its equality duties. Gathering and evaluating the evidence about how the different options will affect groups with protected characteristics and whether it is consistent with the United Nations Treaties and the Human Rights Conventions need to be central to discussions on what an equitable and sustainable solution will look like.

Where are we now?

This consultation is part of the ongoing process of gathering and evaluating the evidence about what an equitable and sustainable solution will look like. We do not have all the answers as the future options are so broad. However we know there will be tensions between equality considerations and other policy aims which need to be managed.

- We know there is a tension between creating an equitable national scheme whereby entitlements remain constant no matter where you live in Wales, and creating a sustainable scheme which allows Local Authorities greater discretion and flexibility to manage their budgets.
- We know there will be difficult decisions to be made by Welsh Government and Local Authorities about the relative costs and benefits of any scheme. Ensuring there is a proportional impact on all groups is particularly difficult when there is a continued downward pressure on budgets.

- We know there are ongoing changes in relation to UK Government welfare reform (e.g. the introduction of Universal Credit) and Welsh Government policy developments (e.g. the Commission of Public Service Governance and Delivery). How can we maintain equitable and consistent support to applicants whilst responding to change?

Consideration of the six policy options

The consultation outlines six possible policy options (see pages 12-15). Tables 1-3 on pages 27-30 provide a summary of what the impacts would be on groups with protected characteristics if each of the policy options were implemented. They give the following information for each policy option:

The scale of the impact on households:

- the percentage of Welsh households affected;
- the increase/decrease in the total number of households entitled to council tax support: (this may be due to a number of reasons depending on the particular option)
- the average financial loss/gain of support for households

The impact on particular groups with protected characteristics: focusing on: age, disability, race and gender (Local Authorities Council Tax Support information is based on financial circumstances, information in relation other protected characteristics is not collected.).

When thinking about the preferred option it is important to think not only about the number of households it would effect, but the scale of the impact on those who are affected. Below is an outline of the main dimensions of the possible impacts: these can be summarised under three different types of intervention suggested.

Options 1 - 3: Cut in entitlements for all

These three options via various mechanisms cut entitlement to all current applicants to Council Tax Reduction Schemes. The impact, therefore, falls on all low income households. Pensioners, people with disabilities, females: particularly single parent households (which are predominately headed by women) and ethnic minorities are all more likely than other groups to have a low income. The scale of the impact is smaller than some other options however, because the burden is spread across a large number of claimants. The particular distribution of the impact between groups varies between the different options considered.

Options 4 and 5: Restricting support by Council Tax Band

These are two examples of possible options which restrict CTRS entitlement depending on the Council Tax Band of the property the applicant lives in. These options affect a much smaller group of households, therefore, the impact of them will be greater. They will disproportionately affect, to a greater or lesser degree, those on

a low incomes living in higher band properties. Pensioners, families and ethnic minorities are more likely than other groups to live in houses in a higher band.

Option 6: Increasing the taper rate from 20% - 30%.

This option will affect people who receive a partial reduction. There will be a disproportional effect on in-work disabled people, single parents (who are predominately female) and ethnic minorities who are more likely than others to be in low paid work. Pensioners who are entitled to a partial reduction are protected for 2014-15 as they are entitled to additional support through the Pensioner Grant. No decision has yet been taken on whether this grant will continue in future years.

Table 14: Options 1-3 Cuts in Entitlements for All							
Option	Scale of the impact			Protected characteristics			
	% welsh households affected	Reduction in numbers entitled to support	Average loss for losing households	Age	Disability	Ethnicity	Gender
Option 1: Across-the board cut in support	18%	-1,000	£68	Similar impacts to option 2. This option however is less regressive for those pass-ported onto Council Tax Reduction Schemes (approximately 70% of recipients). This group will experience a smaller monetary reduction in support than option 1. It will have a greater impact for those receiving a partial reduction for example those in low paid employment. Groups likely to be in low paid employment are in-work disabled people, lone parents (typically headed by women) and Ethnic Minorities.			
Option 2 - Council Tax Support is cut by a fixed percentage across-the-board	18%	-14,000	£68	Likely to impact on pensioners as a high proportion receive CTRS and also families with children who receive CTRS	Likely to impact upon disabled households as they are more likely to have a low income	Likely to impact on ethnic (Black& Asian) households as they have a higher risk of being in poverty	Likely to impact on female households and particularly single parent households which are typically poorer, and headed by women

4 The figures given within Table 1-3 are based on those contained within the Institute of Fiscal Studies paper: Reforming Council Tax Benefit: options for reform – June 2012 <http://www.ifs.org.uk/publications/6204>. Whilst it is expected these figures will fluctuate in future years, it is thought the proportional impact of the proposed changes between different groups will not change substantially. These figures will be updated using 2013-14, when figures are available.

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Option	Scale of the impact			Protected characteristics			
	% welsh households affected	Reduction in numbers entitled to support	Average loss for losing households	Age	Disability	Ethnicity	Gender
<p>Option 3: Capping CTRS entitlement at the Council Tax liability for the band below the one that in which the recipient lives</p> <p>Similar to option 2, it affects all Council Tax payers.</p>	18%	Figure not available	£52 ⁵	Similar to option 2 but has a slightly smaller impact on lower income group as entails a smaller reduction in support	Similar to option 2 but has a slightly smaller impact on lower income group as entails a smaller reduction in support	Similar to option 2 however has a greater impact on ethnic minorities as they tend to live in larger properties	Similar to option 2 but has a slightly smaller impact on lower income group as it entails a smaller reduction in support

⁵ This figure should be used as a guideline only. It is not derived from the IFS report and has yet to go through data verification.

Table 2: Cutting Entitlement by Council Tax Band							
Option	Scale of the impact			Protected characteristics			
	% welsh households affected	Reduction in numbers entitled to support	Average loss for losing households	Age	Disability	Ethnicity	Gender
<p>Option 4: Reducing entitlement by capping CTRS entitlement at the Council Tax liability for a Band B property Claimants in housing in Bands C and above would only receive the level of support provided for a Band B property</p>	6%	-20,000	£187	Disproportionally affects pensioners and families with children who tend to live in larger properties		Ethnic minority households are more likely than other groups to be impacted as 37% of households with five bedrooms or more receiving Housing Benefit are from an ethnic minority	

Table 2: Cutting Entitlement by Council Tax Band							
Option	Scale of the impact			Protected characteristics			
	% welsh households affected	Reduction in numbers entitled to support	Average loss for losing households	Age	Disability	Ethnicity	Gender
<p>Option 5: Reducing entitlement by removing entitlement entirely from residents in Band E and above No claimant living in properties in Band E and above would receive any support</p>	1%	-54,000	£968	Disproportionally affects pensioners and families with children who tend to live in larger properties		Ethnic minority households are more likely than other groups to be impacted as 37% of households with five bedrooms or more receiving Housing Benefit are from an ethnic minority	

Option	Scale of the impact			Protected characteristics			
	% welsh households affected	Reduction in numbers entitled to support	Average loss for losing households	Age	Disability	Ethnicity	Gender
<p>Option 6: Increasing the taper rate from 20% to 30% Increasing the rate at which support is withdrawn above a certain income threshold from 20% to 30%</p>	5%	-46,000	£105	Affects all age groups including: low income families and in- work people. It may also affect pensioners with some additional income/capital.	This will impact on in-work claimants with a disability as they tend to have lower incomes and face higher living costs	Ethnic minority households are more likely to be in low income work and are therefore more likely to be impacted	This will affect working lone parents which are more likely to be female households

Groups with protected characteristics and additional legal obligations

As minimal demographic data is collected by DWP, there is no information at this point to indicate if any of the above options would have a significant impact on groups with the other protected characteristics including: sexual orientation, gender reassignment, marriage or civil partnership, pregnancy/maternity, religion and belief or non-belief (with the exception of information on pregnancy and maternity, which is held in the event that it is the primary reason for incapacity). Responses which address the possible impact on these groups are welcome.

The Welsh Government has considered whether policy options will comply with its other legal obligations. The available evidence does not suggest the introduction of any kind of scheme will have any specific impact on people's human rights and freedoms and therefore this policy will comply with the Human Rights Act and UN Conventions

The Welsh Government must also have due regard to the requirements of Part 1 of the United Nations Convention on the Rights of the Child and the Protocols when making any policy decision and its implementation. The assessment of the possible impacts of the scheme indicates most of the relevant articles have been fully respected. The extent to which the policy supports the material wellbeing of children however, will need to be balanced against the needs of other protected groups.

Further Information

Further information is provided below on engagement and research activities which have been undertaken as part of the Equality Impact Assessment.

Engagement

Welsh Government has a legal duty to engage with people with protected characteristics under the Equality Act 2010. It has put in place a detailed communications plan and has continuously engaged with key stakeholders in relation to the development of policy on the provision of Council Tax Support. Engagement activities have included:

- Formal consultation in 2012 on policy and delivery issues for Council Tax Reduction Schemes
- Formal technical consultations on both the 2013-14 Regulations and the 2014-15 Regulations
- Three key stakeholder events have been held in relation to the impacts of welfare reform On-going involvement of key stakeholders as part of the Welsh Government's Governance Arrangements in relation to technical and practical operation of the current schemes and the longer term review. Representatives from Local Government and Citizen's Advice Bureau regularly take part in these discussions

Supporting Evidence

Policy decisions must be based on robust evidence. Gathering and evaluating evidence in relation to the Equality Impact Assessment is an ongoing process. Support evidence includes:

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- Responses from formal consultations: these include responses from Local Government, the Third Sector and the general public
- Engagement with key stakeholders including Local Government practitioners and Citizen's Advice Bureau
- In house review of existing research and statistics
- Commissioned independent research
- Projection figures of Council Tax Reduction caseload and expenditure using modelling software

List of relevant published research and reports

Council Tax Support in Wales: Equality Impact Assessment

The Welsh Government published their Equality Impact Assessment in December 2012. This informed the development of the first set of Council Tax Reduction Scheme Regulations for 2013-14

<http://wales.gov.uk/topics/equality/inclusivepolicy/impactassessments/counciltaxsupporteia/?lang=en>

Reforming Council Tax Benefit: options for Wales

The Welsh Government commissioned a specific piece of independent research from the Institute for Fiscal Studies to look at the possible reforms to develop a new scheme to provide council tax support and their impact in Wales.

This can be accessed at: <http://www.ifs.org.uk/publications/6204>

Reforming Council Tax Benefit

This research report complements the analysis undertaken by the Institute for Fiscal Studies, in association with the Joseph Rowntree Foundation, looking at the impact of possible reforms at a UK level. This can be accessed at:

<http://www.ifs.org.uk/publications/6183>

Analysing the Impact of the UK Government's Welfare Reform

The Welsh Government commissioned a three-stage programme of research to assess the impact of the UK Government's welfare reforms in Wales. The final stage which focuses on the impact of the reforms on people with protected characteristics was published in July 2013.

<http://wales.gov.uk/topics/socialjustice/publications/analysingreforms/?lang=en>

Equality Impact Assessment on Localising Council Tax Support in England

Department for Communities and Local Government completed this in 2011

<http://www.communities.gov.uk/publications/localgovernment/lgfblocalisingcounciltax>

The Equality Impact Assessment undertaken on the Welsh Government's draft budget 2014-15

<http://wales.gov.uk/topics/equality/inclusivepolicy/impactassessments/draftbudget1415eia/?lang=en>

To – Owen Davies, Local Government and Performance Division

Neath Port Talbot County Borough Council response on:

CONSULTATION ON COUNCIL TAX SUPPORT

Thank you for the opportunity to respond to your consultation.

This response is intended to help Welsh Government consider the relevant issues in relation to the Council Tax Support for the longer term (2015/16 onwards). Please find the authority's response to the specific questions you have asked below:-

Continuing with a System of Council Tax Support

- 1. Do you agree the Welsh Government should maintain a system of Council Tax Support? :**

Yes – this Council considers that Welsh Government should continue with its current policy of providing support to less well-off groups in meeting their Council Tax liability. As most of the welfare support mechanisms are provided through the UK Government there would seem little choice but to provide this support directly through some type of local reduction or rebate scheme.

The Benefits and Costs of Maintaining Entitlements

- 2a. Given the financial pressures, and the likely impact on local services, should entitlements be maintained at current levels from 2015-16? Or should entitlements be reduced, exposing low income and vulnerable families to increases in the Council Tax they have to pay?**

There is already a shortfall in the funding of the current Council Tax Support Scheme which falls to be met from within Local Authorities Budgets. The Welsh Government has provided funding of £244m (All Wales) for 2014/15 resulting in a Neath Port Talbot share of £15.6m. However the costs of providing Council Tax support to all eligible claimants exceeds the funding by over £400k in 2013/14 and £1.2m in 2014/15. These funding shortfalls have already been funded by the Council at the expense of other Council Services. Without additional funding or changes to the Scheme this financial gap will

increase and require additional service reductions in 2015/16 and subsequent years.

The UK Government have already reduced funding, as part of their Welfare Reform agenda, available for Council Tax Support to 90% of entitlement and capped all future funding. It is therefore critical that this review and any proposed scheme takes account of both the funding available and its impact on low income families. With the austerity measures and funding available likely to be constrained to 2018 and beyond it is important that any changes to entitlement should enable the scheme to be financially viable over a 3 year or longer period.

2b. If entitlements are maintained, how should the gap be funded? Should the Welsh Government pay, should Local Government pay, or should the cost be shared?

Neath Port Talbot CBC suggests that any national requirements should be funded nationally i.e. by Welsh Government and any local discretions locally by individual councils.

2c. If some of the costs continue to be met by Local Authorities, what might be the implications for the communities for whom they provide services?

The 2014/15 Local Government Settlement showed a 3.9% reduction in Welsh Government funding (including CTS and Highways LGBI). This has resulted in significant service reductions, increased or new areas of fees and charges and re-prioritisation of services. This is expected to continue into future years. It is likely that discretionary services will be hardest hit by funding cuts. Some of these service implications will also affect low earnings families in our communities.

Generating Additional Revenue to offset the cost of Maintaining Entitlement

3a. Should some of the costs of maintaining entitlement be offset by changes to the Council Tax system itself, to enable councils to generate additional revenue? If so how? What are the implications of making changes to the Council Tax system itself? What would be the administrative implications for Local Authorities?

At present the ICT systems and processes used by Local Authorities realize efficiencies through administering both Housing Benefit and Council Tax Support (CTS). The UK Government's proposal to move Housing Benefit Administration back into the Department for Works and Pensions will increase costs to Councils to administer CTS only. Discussions are taking place between the Welsh Government and the DWP/Treasury on the transfer of funding to Wales. It has been estimated that circa 70% of the work and costs will remain with Councils but the DWP are requiring most of the current funding to remain with them. This again will increase the financial burden on Councils.

A new Council Tax Support Scheme therefore needs to be simple to administer, easily understood and provide appropriate and affordable (from the perspective of the public purse) financial support to families.

Neath Port Talbot CBC would welcome the exploration of opportunities to generate extra income irrespective of the Welsh Government's ultimate decisions on the future of the council tax reduction scheme, as a way of reducing service cuts. One option would be to replicate some of the changes put in to place in England. However any options considered would need to examine amongst other things:-

The distributional effect of overall resources across individual councils to minimise turbulence.

Effects on Council Tax collection at individual Welsh councils.

Collection costs.

IT implications.

Access to DWP data and other relevant information.

3b. Should any such changes be prescribed nationally or should there be local flexibility?

Whilst some flexibility is desirable, care would need to be taken to not create additional difficulties.

Protecting Groups from the impact of Reducing Entitlement

4a: If entitlements have to be reduced, should everyone pay a proportion of their Council Tax, or should some groups be protected?

The Council believes that no group should be specifically protected. It should be noted that in a number of cases there are already additional protections

already provided outside of the CTRS scheme e.g. greater capital and personal allowances for pensioners, liabilities at a reduced band for disabled.

It is clear that protections for certain groups would result in even higher reductions in support that could be made available to unprotected groups, unless additional funding could be found.

As an example, in respect of pensioners, the number that reside within an authority's boundary can vary significantly across Welsh councils. Therefore it would appear that additional protections if introduced at a scale would need to be accompanied by a review of Welsh Government's distribution of funding to councils.

The Welsh Government previously determined that a liability cap be introduced for 2013/14 (later rescinded) which would have required a contribution from all households. The options considered later in this consultation also involve a greater level of billing. It is also expected that as Councils will be required to collect Council Tax from individuals/families who currently receive 100% CTRS support i.e. some 14,000 households in Neath Port Talbot it is expected that this will have a significant issue on Council Tax collections. Therefore we would ask you consider collection rates and cost of collection in your deliberations.

Some flexibility should be given to Local Authorities to enable some of the entitlements to be set locally as opposed to be decided on an All Wales basis. This will be important as it may not be possible to identify relevant elements of the current entitlements within the proposed Universal Credit Scheme. It will also assist with managing the overall cost of CTRS.

Question 4b: If you think any groups should be protected, which groups and on what grounds?

As above

Question 4c: What are the equality implications and potential impacts on those with protected characteristics of making everyone pay a proportion of their Council Tax, or of protecting particular groups?

The current system based on the previous council tax benefit already provides a different level of protection for different members of the community. The work carried out in considering the Council Tax Reduction Scheme during 2012 highlighted impacts on people living within the communities and the

various protected groups. Welsh Government will need to undertake further Equality Assessment work based on the 6 options set out in the consultation.

National and Local Approaches

Question 5a: If entitlements have to be reduced, should this be through a single national framework scheme proposed by Welsh Ministers and approved by the Assembly or should Local Authorities have flexibility to devise local solutions?

Neath Port Talbot CBC favours a national framework but with local discretions aimed at making the scheme affordable. Local discretion must be at a level to allow authorities to control its expenditure in line with budgetary requirements.

The potential of amending the Single Person Discount element currently 25% also needs consideration as part of the flexibility arrangements.

Question 5b: If a localised approach is introduced, should Local Authorities have full flexibility or should some national prescription be maintained? What aspects of a CTRS scheme would it be appropriate to determine locally?

As above

Question 6a: If entitlement has to be reduced, what is the most equitable and sustainable option (or combination of options) for doing so? What are the implications for groups with protected characteristics under the Equality Act? What would be the impact on the rights of children and young people?

The analysis provided by Welsh Government within the consultation indicates that all of the 6 options have some merit, some complications and a potential impact on protected groups. The six options are shown at Annexe C of the consultation document.

Welsh Government policy decisions on some of the key policy areas like whether to adopt a national framework, retention of means testing, protections, funding levels over a longer period and consequent savings levels sought etc. will help in the selection/rejection of options. However these have not yet been determined which makes comment more difficult.

APPENDIX B

Therefore in framing a response, the following policy assumptions have been made:-

- 1 That the scheme should be delivered on a cost neutral basis for councils.
- 2 The scheme should seek to be equitable to all claimant groups, as far as possible. This would mean that most households would pay something.
- 3 Means testing should be retained as a best method of targeting resources but administration funding needs to be at an appropriate level.
- 4 The scheme should be sustainable over a period of at least 3 years – in terms of scheme design and affordability.
- 5 Whilst it is inevitable there will be complications on billing, we would suggest these should be kept to a minimum with a simple administration and an agreed deminimus Council Tax bill.

The policy assumptions above would in turn rule out 3 of the options:-

Option 4 - On grounds it does not affect all claimants equitably as it is restricted to individuals in certain bandings, irrespective of circumstances.

Option 5 - For similar reasons and because the range of population affected across different councils varies very significantly.

Option 6 - This will not produce sufficient savings and has greatest impact on low earners. It could be considered as part of solution but not wholly.

The remaining three options a liability cap, an across the board proportionate cut of award and the award of claimants Council Tax reductions at a banding level below the one ascribed to property - all affect a broader base of claimants and at levels exemplified in the survey generate savings that reflect current funding more closely over a longer period. They also relate more closely to the property value system currently used.

Option 3 (Reduction at one band down) would require there to be a notional band below band A. Perhaps a Band A* similar/the same to that used in respect of properties occupied by disabled dwellers. Options 1 and 2 are perhaps easier to model to prescribed levels of funding. Should Welsh Government determine that all households should pay some council tax the option receiving the greatest level of local government support is option 3. As this was not included specifically in the IFS report that Welsh Government commissioned last year we would advocate that some further research is undertaken in evaluating this option.

Question 6b: Are there other options which should be considered? If so, how would they work and what advantages would they offer? What would be the equality impacts?

A hybrid of the first three options could also be viable on a stand-alone basis or in support of other options.

Question 6c: What are the relative administrative implications for Local Authorities of the different options?

All of the three options considered above (options 1 to 3) require the continuation of means testing which represents a significant proportion of councils' administrative workload. They would all involve some level of software amendment although we consider this could be constrained to a modest level if an adequate lead time was allowed. There are other issues that could significantly affect the level of administration required and cost, for example the future shape of pass-porting from universal credit claims and the effects of the UK Government's decisions on housing support in pensions credit and universal credit.

Some of the options are likely to require the re consideration of Welsh Government methodology for funding councils within RSG.

Question 6d: The impact of some property band based options on revenues will vary widely from Authority to Authority. How might these variations be mitigated if such options are implemented?

The redistribution of Welsh Government funding would need to be explored.

Welfare Reform

Question 7a: In the longer term, it may be desirable or necessary to make changes to the system of means testing, as UC is fully rolled out, but our proposal is to retain the existing means testing approach in the medium term. What are your views on this?

Neath Port Talbot CBC considers it sensible to continue with means testing for as long as housing benefits is administered by Welsh Councils. The development of different methods of targeting support for Housing Benefit and CTS would probably result in an increase in overall costs.

This Council remains concerned about the falling levels of funding that is being made available to Welsh Local Authorities for this purpose both directly by DWP and through transfers to Welsh Government. Reductions include a 9% cut in 2014/15 with a further 10% proposed for 2015/16. We support the representations to the UK government on this issue.

What are the main implications of wider welfare reforms for CTRS, and how should these be addressed?

The UK Government's Welfare Reforms have already impacted or are due to impact on family income levels through (list not exhaustive):

- Restricting increases to Working Age Benefits to the CPI Index
- Providing better indexation increases for pensioners
- Capping the total paid in benefits per household
- Introducing stricter rules on entitlement e.g. DLA replaced by PIP
- Implementation of bedroom tax
- Electronic claiming of Benefits (digital by default)
- A review of changes to pensioners benefits for inclusion within Universal Credit is outstanding
- Developing new advice and support services
- The future move to 4 weekly payment of Benefits.

It is difficult though to align a CTS scheme with the UK Government's policy intentions on Universal Credit and there remains considerable doubt about whether this scheme will be implemented in a timely manner and as currently structured.

It appears most of the policy levers to deal with the effects of Welfare Reform are held by the UK Government, including those administered through Welsh Local Authorities e.g. Discretionary Housing Payments (DHP).

However there are some limited Welsh Government measures already in place e.g. Discretionary Assistance Grants, top up the DHP Fund and the Pensioners Grant.

One way of limiting the impact on the most vulnerable and Local Authority resources is to provide a fully funded CTRS Scheme.

Commission on Public Service Governance and Delivery

Question 8: What are the implications of the Commission's findings for the future of CTRS?

Any change in the reconfiguration of local authorities will result in a need to amalgamate individual council tax bases, software and databases, collections and council tax reductions. Simplicity in CTS design would assist with these complex processes, this adds to the attraction of a national framework approach.

ITEM 2

COMMUNITY COUNCILS MINOR PROJECTS SCHEME – APPLICATIONS

Purpose of Report

2.1 We have received an application for grant aid from Dyffryn Clydach Community Council under the above mentioned scheme. This application is to enhance the existing play area in The Drive, Longford, Neath Abbey to include a Multi-Use Games/Ball Court and a youth shelter.

Background

2.2 A grants scheme has been introduced in order to assist Community Councils in undertaking minor capital projects which will alleviate to some degree the perceived unfairness about “double rating”.

Recommendation

The application complies with the conditions of grant and I therefore recommend that support at 50% up to a maximum of £10,000 in accordance with the schedule be made on receipt of paid invoices together with a copy bank statement.

Reason for Proposed Decision

The decision is in compliance with the approved policy.

List of Background Papers

Application Form.

Wards Affected

Dyffryn Clydach.

Officer Contact

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COMPLIANCE STATEMENT

ITEM 2

COMMUNITY COUNCILS MINOR PROJECTS SCHEME

(a) **Implementation of Decision**

The decision is proposed for implementation after the 3 day call-in period.

(d) **Sustainability Appraisal**

Community Plan Impacts:

Economic Prosperity	Positive
Education and Lifelong Learning	No impact
Better Health and Well Being	Positive
Environment and Transport	No impact
Crime and Disorder	Positive

Other Impacts:

Welsh Language	No impact
Sustainable Development	Positive
Equalities	Positive
Social Inclusion	Positive

(e) **Consultation**

There has been no requirement to consult under the Forward Work Programme.