

Welfare Reform

Reason for the Report

1. To advise Members of the Committee of the possible impact of Welfare Reform, and particularly the implications for Council Tax Support and Council Tax collection.

Background

2. The UK Government is undertaking a comprehensive reform of welfare benefits which includes:
 - Reduction in the level of housing benefit for private tenants
 - Size restrictions on social housing
 - The Benefit Cap
 - Localisation of Council Tax Support and reduction in the amount paid
 - Changes to disability and other welfare benefits, and
 - Radical changes to the way that benefit is administered including the introduction of Universal Credit.
3. The Committee at its work programming forum in June 2012 expressed an interest in scrutinising the implications of Welfare Reform. Within the Committee's Terms of Reference consideration of the following areas are permissible:

the Implications of Welfare Reform for Council Tax benefit and collection, customer support services, staff training & Member preparedness to support constituents.

Issues

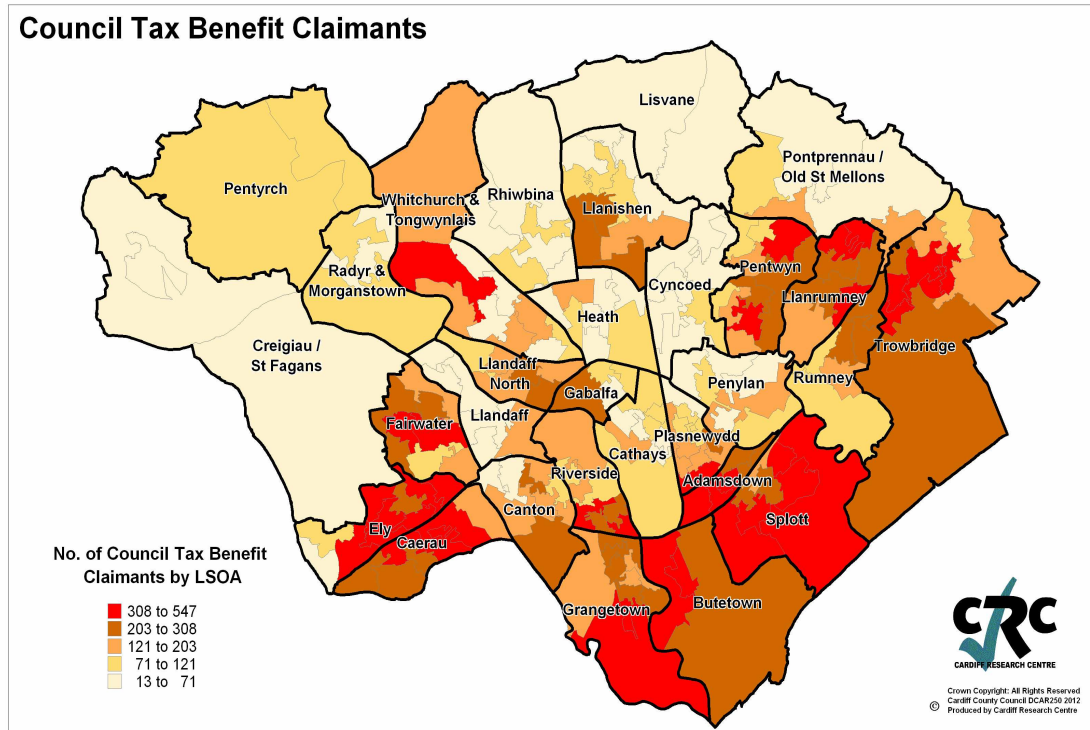
4. From April 2013 the provision of support for Council Tax will be devolved from central government to the Welsh Government and funding will be reduced by 10 per cent with a target of saving 10 per cent of the national benefits bill. This decision transfers financial risk from central to local government and therefore has the potential to impact on the budgets for other Council services, and impact on the citizens of Cardiff.
5. Council Tax Benefit provides crucial support for some of the most vulnerable members of society, with around a quarter of households in Wales currently receiving help. Council Tax Benefit is currently covered 100% by central government. Each year the level of Council Tax Benefit paid increases.
6. The Welsh Government has expressed concern at the changes and at the short timescale before they come into force. It undertook a consultation exercise in April 2012 inviting the views of local authorities, advisory groups, representative bodies, the third sector and others who may be affected by these changes to inform the development of new arrangements, and ensure that they are in place by next year.
7. Welsh Government is currently lobbying Central Government for improved funding. It is likely that the Council will be advised of the settlement on 6th December 2012.
8. For those who receive Council Tax Benefit, there may be changes to *how* support with the Council Tax bill is claimed, to *how much* support can be claimed, and to whether any support is available at all. If a household currently receives 100% Council Tax Benefit, the new arrangements will mean 80% of their Council Tax bill is covered.
9. As listed in point 2 above there are many areas of concern that will impact on the Council's services. Of particular interest to this Committee is the Localisation and Reduction in Council Tax Benefit.

10. Council Tax Benefit will be abolished from April 2013 and will be replaced by local Council Tax Support schemes. Responsibility for the new Support will be devolved to the Welsh Government in Wales, who intend to introduce a national scheme with some local variation. Funding for this Support will be reduced significantly. Initially the Government indicated that the cut was to be 10% but it has become clear that the cut in funding for Wales is in reality 20%.
11. The funding for the new Support will also be cash limited and will not grow with demand; this is of great concern given the increase in Council Tax Benefit expenditure in recent years: since 2008/9 expenditure on Council Tax Benefit has increased by £7.2 million (8% a year on average). Of this increase £4.4 million is due to growth in demand.
12. The Welsh Government has not yet announced the amount of the cut that is to be made to benefit claimants; however it has confirmed that it will not fund the shortfall. The Council is therefore expecting the cut to claimants to be approximately 20%.
13. The Welsh Government is proposing the same cut for all benefit claimants and, unlike in England, it will not be protecting pensioners.
14. In Scotland the funding shortfall is being met by the Scottish Government and local government, so low income households will continue to receive 100% support towards their Council Tax. There is a clear policy decision in Wales not to make up the shortfall.
15. In England, councils will be allowed to reduce or abolish some of the existing exemptions and discounts. This extra income can be used to reduce the impact of the cut in funding for Council Tax Support. This is not currently possible in Wales.
16. 35,000 of the poorest households in Cardiff currently claim Council Tax Benefit. 27,500 currently receive full benefit and do not need to pay any

Council Tax, and 7,500 currently receive partial Council Tax benefit. All of these households will now have to pay at least 20% of the Council Tax bill, regardless of their income. Costs of recovery action which are added to the bill, including £70 for a summons and costs for the use of bailiffs could almost double the debt for some households.

17. The Council will need to collect an extra £6.7 million in Council Tax from low income households. This means that thousands more letters will need to be issued. It is also likely that as much as 50% of the debt (more than £3 million a year) will never be recovered and will have to be written off. This will represent lost income to the Council, as central government will assume that 100% of the additional Council Tax charged will be collected.

18. The map below shows the current distribution of claimants, all of whom will be affected by the change. Areas in red indicate those areas which will be most affected.



19. It is very unclear how much funding will be received by the Council and whether this will cover the costs of the Support. It is likely that at least the

cost of any increase in demand for the Support will have to be paid for by the Council. No funding has been agreed for the implementation of the scheme, and the computer software costs alone are £65,000.

20. Administration funding for next year will still be provided by central government but will be cut by about 5% as with all Department of Work and Pensions budgets. This is an estimated £140,000 for Cardiff. However the workload will be greater due to the number of changes and support that will be required by claimants.
21. There is very little time to introduce the scheme by April 2013, as draft regulations for Wales have only recently been released and still need to pass through the Assembly. Each council will then need to formally “adopt” the scheme; this will include deciding on any discretionary areas and consulting on the scheme. New software then needs to be implemented and staff trained before February so that correct bills can be issued in March. If the software is not ready in time this will have serious implications for Council Tax billing which could result in cash flow problems for the Council.
22. The forthcoming budget proposals are seeking £20m in savings. This target will increase to £25m if the households that have previously been receiving Council Tax Benefit do not pay the Council Tax bill.
23. Officers are working closely with the Welsh Government to help ensure the new regulations are fit for purpose, and to minimise their impact -. A financial inclusion (debt recovery) task and finish working group has been set up to review how debt is currently recovered within the Council and to make recommendations for change. Concerns about timescales and funding are being raised with Welsh Government ministers directly and through the Welsh Local Government Association.
24. The Council is also represented on a multiagency task group (with the Police, Health and voluntary sector) to identify and prepare for the implications of the change in national policy.

25. Christine Salter, Corporate Chief Officer (Corporate), Gary Watkins, Operational Manager (Revenue Services), and Jane Thomas Operational Manager (Benefits, Finance & Tenant Services) will give a presentation to Members followed by an opportunity for Members' questions.

Legal Implications

26. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

27. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

The Committee is recommended to:

- (i) Note the Council's approach to preparing for the implementation of Welfare Reform.
- (ii) Consider whether it wishes to feed any comments, concerns or observations on the Council's preparations, such as risk, cost of administration and collection, and communication strategy, into the multiagency or financial inclusion task groups, or into the Cabinet to inform early budget discussions and preparations.
- (iii) Consider whether it wishes to programme further scrutiny of the matter.

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15 October 2012