

To: Value and Performance Scrutiny Committee

Date: 19th September 2012

Report of: Head of Customer Services

Title of Report: Welfare Reform Update

Summary and Recommendations

Purpose of report: To provide an update on the City Council's approach to the Local Council Tax Benefit Scheme and the transition to Universal Credit.

Executive lead member: Councillors Val Smith and Ed Turner

Appendix Numbers

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INTRODUCTION

1. The Local Government Finance Bill 2012 and Welfare Reform Act 2012 will introduce a wide range of reforms to the benefits and tax credits system. This report provides an update on the City Council's approach to the Local Council Tax Benefit Scheme and the transition to Universal Credit.

LOCAL COUNCIL TAX SUPPORT SCHEME

Background

2. Under existing provisions council tax benefit is paid to eligible claimants by means of a reduction on the council tax charge. The billing authority is paid a subsidy approximately equivalent to the full amount of council tax benefit granted. The current amount is around £10.3 million per annum.
3. From April 2013 Local Authorities are required to implement and administer their own Council Tax Support schemes which will replace Council Tax Benefit. The 'support' will continue to be made in the form of a reduction of the council tax charge but adjusted through changes to the council's tax base thus reducing the amount of council tax income that the council raises. Both the billing authority and major precepting authority will receive a grant to cover the estimated loss of income in the form of a cash grant based on estimated 2012/13 expenditure less 10%.
4. In designing our own scheme the City Council will either need to cover the cost of the 10% reduction and any increase in caseload within our own budgets, or reduce the amount of support provided to customers. Regulations provide that people of pensionable age must receive the same level of support as they do currently. As such any reduction would fall wholly on working age customers.

Planning Oxford City Council's Scheme

5. Officers across all of the Oxfordshire Districts, the County Council and Thames Valley Police Authority have agreed to the principle of a unified County-wide approach to the new Scheme.
6. The proposal is to replicate the provisions of the existing Council Tax Benefit Scheme for 2013/14. This approach was ratified at the Oxfordshire Leaders meeting on 23rd July 2012 and confirmed by single member decision on 16th August to enable full public consultation.
7. West Oxfordshire and Cherwell operate in partnership with Cotswold and South Northants District Councils respectively. They have confirmed that these other authorities are also on board with an Oxfordshire County-wide scheme and would look to follow Oxfordshire's lead in their own areas.
8. It is acknowledged that there are several advantages to a County-wide approach:
 - Border issues do not become a factor. Customers will not find themselves treated differently to their neighbours.

- A single countywide consultation process can be carried out, saving both time and money.
 - There is a greater degree of predictability for the County Council in having a single county wide scheme as compared to five separate schemes.
 - A consistent approach simplifies administration and potential training requirements for our stakeholders, including advice agencies and housing associations, which operate across the County.
9. A joint approach to consultation has been organised across the County to gather feedback regarding the draft scheme. Each district is carrying out a postal survey with a representative sample of 500 council tax payers. This survey is available on-line for other residents who may wish to respond and for stakeholders who have also been invited to participate.
10. Consultation is between 27th August and 5th October. The results of the consultation and the final scheme proposals are due to be considered on 22nd November, and a recommendation made to Council for approval on 17th December 2012.

Financial Implications

11. Modelling work has been carried out across the Oxfordshire districts to predict the shortfall in income arising from the 10% cut in funding from Central Government associated with the implementation of the Local Council Tax Support Scheme. Based on Council Tax Benefit expenditure from 2011/12, plus an assumed increase in payments of 1.5% due to the continued economic downturn. Oxford City's share of this shortfall is anticipated to be circa £188k in 2013/14. This is shown in Appendix 1 together with the impact for all of the major precepting authorities in Oxfordshire.
12. These figures represent an estimate of the difference between the loss of council tax income from a reduced tax base and the amount of grant that will be paid to us as a precepting authority, which has been notified to us provisionally as £1.535 million.
13. In addition to this the City Council will receive a grant in respect of parishes, which we have been advised is provisionally in the region of £24k. The Government has yet to decide the mechanism for dealing with parishes. As it stands their tax base will reduce. In the absence of the local authority giving them grant support this will result in either a significant increase in Band D council tax or a reduction in their precept to maintain the council tax Band D at the existing level. The Government are currently consulting on this issue and has suggested recently that the Council Tax Base for parishes may be unaltered and parish council tax grant is paid into the authorities 'collection fund'

Potential Income from amendments to the Council Tax Discount and Exemption Schemes

14. The government are introducing regulations to permit Councils to vary the percentage reductions for some discounts and exemptions with effect from 1st April 2013. Although not intrinsically linked this could provide the opportunity to generate additional Council Tax income which could be used to offset the

additional cost of providing Council Tax Support to working age customers. The exemptions and discount classes that can be amended from 1st April 2013 are listed below with their current allowances and associated timescales:

- Exemption Class A – Recently built or uninhabitable due to work (current 100% exemption for a time limit 12 months)
- Exemption Class C – Vacant – empty and unfurnished (current 100% exemption for a time limit of 6 months)
- Exemption Class L – Unoccupied where the mortgagee is in possession (current 100% exemption)
- Second Homes Discount – This would include second homes, holiday homes and properties left empty between tenancies. Oxford City Council currently provides a 10% discount on these properties.

15. However, there are certain risks to this approach, that need to be considered when considering the viability of any changes:

- Reducing the exemption or discount percentages too low may result in small Council Tax Bills which could be difficult and costly to collect.; and
- Further reduction of a second home discount could force more single person discount applications instead, as the benefit of receiving a second home discount is reduced.

16. It was agreed at the Oxfordshire Leaders' meeting on 23rd July that consideration would be given to savings arising from reducing Council Tax discounts and exemptions as part of the budget setting process for 2013/14 that we are now moving into. It should be noted that for the City Council it is unlikely that any reduction in exemptions or discounts for these particular classes will bridge the gap in its entirety.

TRANSITION TO UNIVERSAL CREDIT

Background

17. Universal Credit is a new unified benefit administered by the Department for Work and Pension (DWP) for people who are looking for work or who are on a low income and of working age. The benefit will be made directly from the DWP to the claimant, and will replace a range of benefits including income-based Jobseeker's Allowance; income-related Employment and Support Allowance; Income Support; Child Tax Credits; Working Tax Credits and Housing Benefit.

18. New Universal Credit applications will begin in selected areas from October 2013, and then in all areas from April 2014. Migration will be based on changes in the circumstances of claimants (E.g., losing a job, moving house, birth of a child). At a specific point all remaining claims within an authority will be migrated en masse to Universal Credit. These dates are not known, but the process will continue until 2017. . The financial impact of this migration to Universal Credit has been modelled and included in the medium term financial plan, both in terms of expenditure and administrative grant that is likely to be received. the current plan allows for the following:

	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
Admin Grant	(1,021)	(750)	(650)	(450)
Benefit Staff salaries	1,400	1,330	1,150	1,050
Net effect on plan	379	580	300	600

Current Plans

19. The Benefits service has already become more streamlined in readiness for Universal Credit. The service is presently transforming the administration of new claims for Housing and Council Tax Benefit, by adopting risk based verification of claims. This approach is in line with DWP advice, with the objective of increasing the detection of fraud and error. The risk profile of each claimant is assessed, lower risk customers will need to provide minimal evidence to support their claims, allowing more resources to be targeted at the higher risk groups where most of the fraud and error will be. This will reduce the cost of administering claims, as less time will be spent in assessing claims and chasing evidence. The service will be introducing electronic claim forms later in the year, again reducing the administrative costs for the organisation and preparing claimants for universal credit and the way this is likely to be administered.
20. The City Council has been selected as one of only 6 demonstration projects nationally testing the support required when people receive Universal Credit directly. The City Council has the target of migrating 1600 of its council tenants to a direct payment of their housing benefit. This project began in June this year, and already 1,150 of this sample are receiving their benefit directly. Being part of this project has enabled the City to “get ahead of the curve” and educate its tenants to understand what this means, and provide the appropriate support and guidance in terms of money advice and financial training. It has also meant that the advice agencies have been given a preview to the issues that are likely to arise in a controlled way. DWP will underwrite any adverse arrears that the City council incur as a result of the project, providing that we follow agreed processes for moving claims on and off direct payment, and maintain normal arrears chasing activity
21. Oxford City Council has now also been selected as one of the pilots for shaping the delivery of Universal Credit. Councils were asked to submit bids across a number of different areas (including helping people into work, digital inclusion, reducing fraud). Oxford's bid focussed on how we can support people into work, and remove barriers to work by making the best use of available resources both inside the Council and from external partners.
22. It is planned that out reach workers will support people who stand to lose most from the changes to Housing Benefit to try and assist them with moving into work or increasing their hours of work.

23. There will be a variety of interventions including group workshops, one-to-one training and advice. The outreach worker will recommend and arrange support from a range of partner organisations. Please find below a brief summary of the nature of support expected:

- **Job Centre Plus**
 - Assisting job searches
 - Finding appropriate work related activity
 - Employment advice
- **CAB and other advice agencies**
 - Money advice
 - Financial training - Not just coping with debt but being able to manage larger sums of money monthly rather than weekly
- **Oxford City Council Work Club**
 - Preparing people for work, eg CV writing
 - Finding employment opportunities
 - ICT training for using internet for on-line banking, making self service applications, etc
- **Housing advice**
 - Negotiating rent
 - Finding alternative accommodation, helping customers to downsize
 - Helping customers move and assistance with costs

24. Initial soundings from the advice sector have been very positive. They are pleased that the City Council is being proactive in understanding what the issues are likely to be for all stakeholders at an early stage, and involving all parties testing out solutions.

FINANCIAL IMPACT OF LOCAL COUNCIL TAX SUPPORT SCHEME ACROSS OXFORDSHIRE

	Cherwell	Oxford City	South Oxfordshire	Vale of the White Horse	West Oxfordshire	County	Police	All areas
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Existing cost of Benefits and estimated grant funding								
2011/12 spend on Council Tax Support	970	1,722	719	636	448	25,232	3,351	33,078
2011/12 + 1.5% for increased claimants	984	1,747	730	645	455	25,611	3,402	33,574
Billing Authority Collection Percentage	13%	17%	13%	12%	10%			
County Collection Percentage	76%	73%	77%	78%	80%			
Police Collection Percentage	10%	10%	10%	10%	11%			
Exemplified funding	886	1,559	671	578	416	23,112	3,070	30,292
Savings required	-98	-188	-59	-67	-39	-2,499	-332	-3,282
Savings %	10%	11%	8%	10%	8%	10%	10%	-10%
Savings required - District	-98	-188	-59	-67	-39			-451
Savings required - County	-559	-822	-355	-445	-318	-2,499		-2,499
Savings required - Police	-74	-110	-47	-59	-42		-332	-332
Total Savings required	-731	-1,120	-461	-571	-399	-2,499	-332	-3,282

