

## POLICY & FINANCIAL AFFAIRS COMMITTEE

28 SEPTEMBER 2011

### REPORT OF HEAD OF COMMUNITIES AND NEIGHBOURHOODS

#### LOCALISING SUPPORT FOR COUNCIL TAX IN ENGLAND

#### 1 PURPOSE OF REPORT

- 1.1 To inform Members of the issues arising from the Government's consultation document on Localising Support for Council Tax in England and propose a way forward regarding the Council's response.

#### 2.0 RECOMMENDATIONS

- 2.1 *It is recommended that:*

***Members give delegated authority to the Head of Communities and Neighbourhoods in consultation with the Head of Central services to consider and where relevant support suggested submissions for response to the consultation in addition to specifying any specific issues to this Council;***

#### 3. KEY ISSUES

- 3.1 The document "Localising Support for Council Tax in England" was produced in August 2011 and requested responses to the consultation by 14 October 2011. This main consultation document is attached at Appendix A to this report.
- 3.2 Due to the complexity of the document and the potential impact on all Local Authorities it is suggested that rather than draft an individual full response we consider and support, as appropriate, a County-wide response covering all Leicestershire Districts and the County Council. The Leicestershire Treasurers Association (LTA) and a sub-group of Revenue Managers are currently meeting to discuss the consultation and an update on the implication of the consultation proposals can be brought back to a future meeting of this Committee or provided through the members bulletin as appropriate.
- 3.3 The consultation document discusses the Government's proposals to move away from Council Tax Benefit (CTB) and to introduce a system of Council Tax Support (CTS). The Government's proposals seek to deliver:
- The abolition of CTB in favour of a Council Tax Discount
  - A 10% reduction in the cost of paying for CTB worth £500M nationally
  - Giving Council's greater financial autonomy
  - Localised support for Council Tax for poorer households
  - Ensure support for the most vulnerable in our communities, in particular pensioners
  - Provide positive incentives to work linked to the new Universal Credit
- 3.4 To achieve these objectives the Government proposes to provide a new Local Government Finance bill and secondary legislation, so that the scheme can commence from 1 April 2013. The timeline below shows the key stages

Time	Stage
Spring 2012	Primary Legislation
Summer 2012	Secondary Legislation
	LA designs local scheme
Autumn 2012	Design of new IT
Winter 2012	Implementation of new systems budget setting
Spring 2013	Council Tax billing

- 3.5 Currently, the Council administers the payment of Council Tax Benefit on behalf of the Government to support those households on low income with their Council Tax payments. CTB is means tested and paid as a 'credit' to the Council Tax account. The Council then claims this money back from the Government through an audited subsidy claim. The new proposals mean that the funding to Local Authorities will be cash limited and the money available will be reduced by 10%.
- 3.6 All Local Authorities will be expected to come up with a new local scheme, either individually or in partnership with other Local Authorities to provide support for Council Tax to the most vulnerable in society. This localisation of support is taking place within a wider programme of welfare reform which is intended to move people back into work. The Government have, however, identified certain low-income groups- in particular pensioners – who will be protected from any change in award as a direct result of this reform. This localising of support is part of a wider policy of decentralisation, 'giving councils increased financial autonomy and greater stake in the economic future of their local area'. Other vulnerable groups may also be identified, which in essence will leave the burden of the saving of 10% on those of working age if it is decided to pass on the shortfall to claimants.
- 3.7 The consultation document sets out the Government's expectations about how local schemes could operate but are broadly envisaged that:
- Local Authorities will be able to collaborate to reduce costs
  - Local Authorities will be encouraged to establish eligibility for working age claimants that can be simplified- the Government will look at improving data sharing with Councils.
  - The support will be in the form of a discount to reduce the Council Tax rather than a cash payment
- 3.8 The view of practitioners is that the scheme proposed from April 2013 seems to be ill-conceived and presents Councils and the public with considerable challenges to meet the reforms. Financial risks, reputational damage and public dissatisfaction with the reforms are very possible unless significant changes are made. Councils and their software suppliers consider that this time line is not deliverable – especially when considered with the Government's aim to reform Housing Benefit, Welfare benefits, and business rates all from April 2013.
- 3.9 Other potential concerns that have been raised include:

- Complexity -The balance between fairness and simplicity maybe a hard one to achieve. To achieve fairness a means-tested element needs to be included but this increases complexity and increases administrative costs. While those pensioners that are on benefit will be pass-ported across to the new scheme, there will need to be an ongoing need to ensure that new pensioner entrants are means tested.
- Legal Issues- As primary and secondary legislation will only be available from summer 2012 – this allows a very narrow window to develop new policies and to undertake the consultation with stakeholders that will be required. Potential challenges to local schemes could come through equalities and human rights legislation and the Council could be subject to vocal lobby groups.
- Public Perception – if the 10% reduction is passed on to those in low-income groups the perception maybe directed at the door of the Council rather Central Government.
- IT Systems – Given the timescales, it is not thought to be possible for Council software suppliers to develop, test and implement the significant amount of new and locally bespoke functionality to cater for EACH Council's needs. Software houses have already expressed their concerns about the amount of concurrent software development regarding the changes highlighted above. Due to the size of Melton, we may have difficulties in being prioritised in terms of any development we may wish to have.
- Council Tax Billing – The proposals as they are and the timescales involved present a risk to the accurate and timely issue of Council Tax bills
- Appeals – despite the scheme being local, the proposal is for any appeals to be dealt with be a new Government body. This body therefore may have an impact on an agreed local scheme with a negative affect on the finances of the Council depending on any decisions they make.
- Flexibility – Councils will need to be able to amend their schemes at short notice to prevent running out of funding in year, for example due to worsening economic climate or a large employer shutting down. As with the appeals above a particular ruling could have an impact on the local scheme. Currently these risks do not exist as all CTB is underwritten by the Department of Work and Pensions.
- Precepting Authorities –the role of the precepting bodies needs clarification. Billing authorities would bear the large part of the risk involved in the changes (e.g. non-payment, legal challenge to the local scheme and operational changes). However, the precepting bodies may wish to have a significant say in the scheme especially if there are financial implications for them.
- Customer Impact – The most significant concern is the impact upon working age customers who currently claim help with their Council Tax. Although pensioners are wholly protected from the impact of the changes, it is not clear how the methods for claiming pensioner discount will be applied or if this will be in a consistent manner nationally. Unless there is a joint local scheme, as each Council sets its own requirements there may lead to significant local differences which may result in lack of consistency and understanding for a claimant as they move between Councils. The new scheme may encourage people to move to Council's who offer more generous overall schemes or schemes that reflect their own characteristics. Again this may have financial implications for Councils. If a Council is 'running out' of funding within an individual year, can they refuse to award a discount to new vulnerable adults?
- Fraud and Error – Under the proposals the arrangements for data matching will be weakened. Data matching through the current Housing Benefit Matching Service (HBMS) is the most effective detection method for Councils in fighting fraud and error. Under the new Universal Credit proposals the DWP will take on investigation of Housing Benefit fraud. This has been seen as the end for local Council fraud teams. However, under CTS, there is a need to retain a fraud role and this could lead to an individual being

prosecuted by the DWP and the Council for the same offence.

- 3.10 At a meeting of all Leicestershire Treasurers representatives it was agreed that a joint response on the consultation paper could be possible and as such revenues practitioners are drafting a response for each council to consider signing up to. It was also considered that should the proposals move forward to implementation that a common scheme across the county should be explored.

#### 4.0 **POLICY AND CORPORATE IMPLICATIONS**

- 4.1 The proposals and resulting scheme will have significant corporate implications on the Council as it concerns one of the Council's main funding streams.
- 4.2 The Council would have the opportunity to choose to work in partnership with other districts and/or the County Council. This would allow it to share the potential financial risks of the new scheme and help towards a consistent scheme to the people of Leicestershire and associated interested stakeholders (e.g. CAB/ Welfare advice groups). This would be a corporate and voluntary decision for the Council.

#### 5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 Financial implications have been partially addressed in section 3 above. The Council currently has a gross expenditure of £2.9M in Council Tax benefit. If 10% of this grant was cut then there would be a potential £290K shortfall. The Council would then need to decide if this shortfall is to be met by reducing the payments to claimants or to meet this shortfall itself. If this is decided, it is not clear who picks up the shortfall. The suggestion is that this maybe achieved by passing on the costs to the precepting bodies in relation to the current % demand each preceptor makes on the Council Tax. Therefore the County who currently charge approx, 72% would need to pay approximately £208K and Melton with say a 10% demand would have to meet £29K of the shortfall.
- 5.2 There are currently 2,965 claimants in receipt of Council Tax Benefit. However, 1,617 of those are pensioners. Of the 1,348 working age, 803 are in receipt of JSA/Income Support (the majority getting 100% relief). If the saving of £290K is to be met across the working-age claimants, this would result in each household having to pay an extra £215. The impact for the 803 households may have to start paying Council Tax as they do not do so now. This may be seen as the 'Poll Tax' for the working-age. This however, does not take into any further 'vulnerable Groups' that maybe granted a 100% discount.
- 5.3 There are a number of other financial implications that need to be considered. They include:
- Council Tax collection rates maybe affected as we attempt to collect from the more vulnerable members of our community and any shortfall in collection maybe passed on to other Council Tax payers through an increased charge.
  - The Council currently receives funding to deliver the administration of Housing and Council Tax Benefit. This is due to be significantly cut from 2013/14 and it is not clear what form of grant will be received to deliver the CTS, which may lead to additional costs to the Council.
  - The consultation document does not outline the Government proposals for providing funding to support the ICT system changes costs. These could be significant.
  - Although there maybe additional costs in respect of the changes to the Billing process, there maybe reduced costs in mailing as there would only be one posting to Council Tax payers.

- There will be costs in changing documents, leaflets, and making the public aware of the new scheme.
- There has been a lot of debate in relation to whether the 90% funding should be ring-fenced. There has been some concern that some Councils may seek to spend less use on the claimants.
- There are likely to be costs in training and developing staff and new staff may need to be taken on to deliver the new scheme.

## 6.0 LEGAL IMPLICATIONS/POWERS

6.1 The new scheme will be mandatory on the Council to deliver either in-house or externally.

## 7.0 COMMUNITY SAFETY

7.1 There are no direct links to community safety arising from this report.

## 8.0 EQUALITIES

8.1 Any scheme introduced by the Council will need to show that it is equitable and an Equality Impact Assessment will be completed.

## 9.0 RISKS

9.1 The risks are considered in the table below:

Probability



Very High A				
High B			1,2,3	
Significant C				
Low D				
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

Impact →

Risk No.	Description
1	The cost of the scheme in terms of implementation.
2	IT suppliers are not able to deliver the required changes in time.
3	The reputational damage caused by the cuts in funding and these being passed onto claimants in terms of reduced discount

## 10.0 CLIMATE CHANGE

10.1 There are no climate change issues directly arising from this report.

## 11.0 CONSULTATIONS

11.1 The consultation document has been produced by CLG to all local government

authorities.

12.0 **WARDS AFFECTED**

12.1 All wards are affected.

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Date: 15 September 2011

Appendices: Appendix A – Localising Support for Council Tax in England

Background Papers: Local Government Resource Review: Proposals for Business Rates Retention

Reference: X: C'tees, Council & Sub-C'tees/PFA/280911HR – Localising Support for Council Tax in England