

Title	Localisation of Council Tax Support
For further information about this report please contact	Mike Snow, David Leech
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	
Background Papers	Consultation Paper issued by DCLG

Contrary to the policy framework:	No
Contrary to the budgetary framework:	Yes
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	Yes/No (If No state why below)

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive		Andy Jones
Head of Service		Mike Snow
CMT		Chris Elliott, Bill Hunt, Andy Jones
Section 151 Officer		Mike Snow
Monitoring Officer		Andy Jones
Finance		Mike Snow
Portfolio Holder(s)		Andrew Mobbs

Consultation & Community Engagement

Final Decision?	Yes/No
Suggested next steps (if not final decision please set out below)	

1. SUMMARY

- 1.1 Council Tax Benefit (CTB) is currently administered by the Council in accordance with national criteria set by the Department for Work and Pensions and provides means-tested help to people on a low income who have to pay Council Tax. The Council is fully reimbursed for the cost of provision of CTB.
- 1.2 The purpose of this report is to advise that the Government have launched a consultation on localising support for council tax. The Welfare Reform Bill provides for the abolition of CTB to be replaced by Council Tax Rebate (CTR) from 2013-14. Help with Council Tax will not become part of Universal Credit and will remain the responsibility of the Council who will be free to design its own scheme albeit with certain restrictions that are highlighted later in the report. New local schemes must be in place by April 2013.
- 1.3 The amount provided to Councils to pay for CTR (excluding administration costs) will be 10% less than current spending on CTB and unlike current arrangements Central Government will provide a fixed amount of money which will not be ring-fenced and will not vary according to need. The Council will need to design a scheme having regard to the available funding. Councils, who experience lower than expected demand, or are able to hold down demand by moving people into work, are able to use any surplus to hold down council tax or support services.

2. RECOMMENDATION

- 2.1 That the Executive note the Government consultation on the replacement of Council Tax benefit with Council Tax rebate in April 2013 and the operational and financial issues likely to be involved.
- 2.2 That a response to the Government consultation on Localisation of Council Tax support to be delegated to the Head of Finance in consultation with the Finance Portfolio Holder.
- 2.3 That a cross-party member group is agreed to consider the design of the Council's Council Tax Rebate scheme.
- 2.4 Exploratory work is undertaken with Stratford on Avon District Council (and/or other local authorities) to consider scope for a joined-up approach and scope for shared working.

3. REASONS FOR THE RECOMMENDATION

- 3.1 The proposals represent a major change in the way support for Council Tax will be operated and funded and this may have financial and resource implications for the Council.
- 3.2 The consultation period for responses ends on 14th October and at the time of writing this report assessment of the paper and its implications are still being assessed by professional organisations in particular the Institute of Revenues, Rating and Valuation. It is intended that our response to the consultation will be circulated to members before the meeting on the 12th.

- 3.3 Localisation of Council Tax support has major financial and social consequences for the District. The Council will need to design and agree its own scheme, although there may be software limitations to this. In view of the significance of this, it is recommended that an appropriate member group is formed to consider and recommend options.
- 3.4 The consultation does suggest that Local authorities will be free to collaborate to reduce costs, develop schemes that support priorities that are shared by a number of neighbouring authorities, and manage financial risks. The possibility of working with Stratford and/or other local authorities should be explored.

4. POLICY FRAMEWORK

- 4.1 The Council will have a duty to run a scheme to provide support for council tax and the provision of that support will have to be achieved with 10% less than the level of support currently given as council tax benefit. Whilst these are still Government proposals and subject to revision there is potential for adverse financial implications for the Council and claimants which may conflict with the Council's vision.

5. BUDGETARY FRAMEWORK

- 5.1 Potentially a new localised scheme could have financial implications for the following reasons;
- The Council may wish to protect certain classes of Council Tax payer from the impact of the 10% savings in particularly those identified as vulnerable or working age claimants that currently pay no Council tax.
 - A non ring-fenced fixed grant that does not vary with need will leave the Council vulnerable in the event of increased take-up of council tax support. This presents a substantial risk to the Council.
 - It remains unclear how the changes will impact upon the level of administration grant we will receive to continue operating housing benefit during the transition to universal credit and the new localised scheme.
- 5.2 With the latest financial projections for the Council showing savings of £2.7m needing to be saved by 2016/17 on a net budget of £18m, the Council does not have the capacity to provide any additional financial assistance to supplement the funding provided by Central Government. With the cost of Council Tax rebates currently being around £8.3m, 10% saving in this will equate to having to reduce the overall level of benefits by £830,000.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 None

7. BACKGROUND

7.1 Scheme Principles

The Council will have a duty to run a scheme to provide support for Council tax in their area. Whilst the Council will be free to design and implement their own

localised scheme there must be adherence to the following principles proposed by the Government:

- The Council will receive fixed funding for the provision of scheme at a level of 10% lower than will be spent on CTB in 2012/13
- There should be no change in the current levels of awards for low-income pensioners
- Local schemes should support work incentives, and in particular avoid disincentives to move into work
- Consideration should be given to ensuring support for other vulnerable groups

7.2 Establishing Local schemes

The Government believe that the reform provides an opportunity to align support for council tax more closely with the existing council tax system particularly discounts. In doing so the perceived benefits will be to;

- Reduce the administrative burden by having common processes and systems when dealing with working age claimants those claiming council tax discounts and exemptions.
- Reduce complexity for claimants by making support for council tax one of the discounts and exemptions that residents can claim rather than a separate system.
- Provide a framework for sharing financial pressures between billing and precepting authorities, using the mechanism of the collection fund, reducing the exposure of billing authorities to risk

7.2.1 The design of the new scheme will dictated by the principles outlined above however consideration will have to be given to the following before the Council will be in a position to set the Council tax;

- The requirement under the Child Poverty Act to reduce, and mitigate the effects of, child poverty in their local areas,
- Level of grant available and any additional funding the L/A intends to dedicate to the scheme
- Assumptions about take-up and demand, including the assessment of the potential size of eligible groups and the proportion that will actually apply for support
- Estimated impact on Council Tax yield as a result of non-collection

7.2.2 It is proposed that any new scheme will need submitting for some form of public scrutiny or challenge which may include full public consultation as well as sign-off by elected Members. The Council will also need to ensure other authorities, including precepting authorities, have an appropriate role in this process given the expectation that they will share financial pressures the scheme may create.

- 7.2.3 Any changes to the scheme proposed by the Council could only take effect from the beginning of each year following a further appropriate consultation process.
- 7.2.4 The Government envisages a one-off transition to the localised schemes in April 2013 by effectively switching off one system and turning on another however it is seeking views as to the practicality of this and the support the Government should provide for LAs.

7.3 Joint Working

The Government proposes that billing authorities should lead on the design and administration of localised schemes because of their current responsibilities and expertise. However Councils will be encouraged to collaborate as widely as possible in order to bring about the following benefits;

- Reduce duplication and cost
- Avoid inconsistencies between neighbouring authorities
- Manage financial risk

7.4 Managing Risk

In designing and administering local schemes there are financial pressures and risks linked with such responsibility that the Council will need to plan for and manage. These are associated with a drop in the level of council tax collected for the following reasons;

- Councils struggle to collect increased amounts of council tax from those who experience a reduction in support for council tax
- High levels of demand for support from eligible claimants which exceeds the value of discounts which was forecast at the point where budgets and council tax levels were set.

- 7.4.1 It is proposed that Councils will need to consider local contingency arrangements to provide for increased take-up or demand bearing in mind that it is not expected that schemes should change part way through a year. In addition Councils will need to explore how financial pressures can be shared with other authorities through collaboration at the design and consultation stage of the process.

7.5 Data Sharing & Fraud and Error

The Department for Work and Pensions currently shares an extensive range of data with Councils securely and electronically to assist in the administration of housing benefit and council tax benefit. This helps to ensure that claimants are not asked for the same information twice and also assists in the detection of Fraud and Error.

- 7.5.1 The Government are seeking views on the best way to ensure that these data sharing arrangements are maintained and if possible improved so that the Council is provided with the information it requires to process claims under their

system and at the same time reduce the administrative burden on both the donor and recipient of the information.

- 7.5.2 Currently, Councils are responsible for the investigation of council tax benefit and housing benefit Fraud. This responsibility will, however, cease in 2013 when the Department of Work and Pensions will commence the new Single Fraud Investigation Service which will be responsible for Investigating and where appropriate prosecuting fraud related to Social Security benefits and tax credits and, from October 2013, Universal Credit.
- 7.5.3 The Fraud Investigation Officers currently employed by Councils will transfer to the Department of Work and Pension to for the new Single Fraud Investigation Service. The responsibility for Fraud investigation under a system of localised support for Council Tax will remain with the local authority. Further details on these proposals are still awaited.

7.6 Administrative Costs

- 7.6.1 In addition to the cost of provision of CTB currently provided by DWP the Council also receives an administration grant to help meet the cost of administering housing benefit and council tax benefit based on workload levels. Housing Benefit will start a transition towards being centralised as part of Universal Credit during 2013 and this with the localised CTB scheme will have an impact on the amount we shall receive in future years.
- 7.6.2 LAs are expected to take every opportunity to reduce the costs of establishing and operating schemes through joint working. The Government will take into account the scope for councils to minimise administrative costs through collaboration in its assessment of the level of administration grant that LAs would receive.

7.7 Time Table

The Government envisages the following timescale for implementing localised schemes:

Summer 2011

- Consultation begins
- Government begins working with LAs, representative organisations and suppliers on delivery requirements for localisation.
- Basis for model schemes considered.

Autumn/Winter 2011-12

- Government publishes a response to the consultation
- Introduction of Local Government Finance Bill (included provisions for localisation of council tax support)
- Central and local government begin working on model schemes

Spring 2012

- Primary legislation in passage through Parliament.

- Government preparing and publishing draft secondary legislation

Summer 2012

- Primary legislation passed
- Secondary legislation prepared
- LAs designing and consulting on local schemes

Autumn/Winter 2012-13

- LAs establishing local schemes – putting into place systems, notifying claimants of changes
- LAs setting budgets

Spring 2013

- Local schemes in operation

7.8 Issues and areas of concern

The consultation document seeks views on many aspects in the areas described in earlier sections above and in total responses are being sought in respect of 46 individual questions. Interrogation of the consultation document has raised number of issues and areas of concern both locally and nationally. It is recommended that these issues are fed into the responses to the pertinent questions within the consultation document.

Initial issues and areas of concern, locally;

- a) Whilst the Council will be free to design its own scheme in reality there is little room for flexibility given the Government's protection for claimants of pensionable age and those returning to work. The 10% reduction will effectively come from working age claimants and the caseload within Warwick District is split approximately 50:50 between persons of pensionable age and working age claimants. This will mean the reduction in support for working age claimants would effectively be as much as 20%.
- b) We currently pay £8.3 million in Council tax benefit which would mean we would need to make savings of around £830,000. We currently have a caseload of approx 4,400 working age claimants and in order to achieve the savings they would see an average approximate increase of £190 in their Council Tax bill.
- c) It is estimated that approximately 60% of our working age claimants in Warwick District are in receipt of full Council Tax benefit. They therefore pay no Council tax because they qualify for means tested benefits as they are adjudged to have insufficient income to live-on. If we wanted to design a scheme to protect this group of claimants then the actual numbers remaining from which to make savings would suffer from disproportionate reduction in support. The numbers affected would reduce to 1,760 and they would be subject to an average approximate increase of £471 in their Council Tax bill.
- d) If savings are to be made from those who currently receive full council tax benefit this is likely to result in collection issues especially where claimants

have been used to paying zero Council tax. A similar situation occurred in Community Charge days when everybody had to pay a minimum of 20% regardless of their circumstances leading to problems with collection. Reduced collection rates will have to be taken into account when determining how the 10% reduction is to be accommodated.

- e) The grant for provision of Council Tax Rebates will be fixed and will take no account of increases in demand for council tax demand or increases in overall council tax leading to potential financial pressures on the Council. During 2008-10 we had a 15% increase in caseload with many of those claiming CTB. If this were repeated on current spending it would amount to an increased burden for the Council of approximately £1 million over 2 years. It is suggested within the consultation document that the financial burden should be shared with precepting authorities; we will need to know about how this will work in practice.
- f) The timetable is extremely tight giving us little more than 9 months to consult with our software supplier with regard to our design of scheme and then implement and test before going live. Our software supplier, Civica, will also been in consultation with other Councils at the same time.

And nationally;

- g) It will be difficult to predict take up of a local scheme especially if the scheme changes from a means tested benefit to a discount scheme. A discount scheme will make applying simpler and is likely to lead to increased take up again leading to potential financial pressures for Councils.
- h) The document refers to Councils' responsibilities in relation to the Child Poverty Act. How do we design a scheme to meet these responsibilities as working age claimants with children will be worse off unless restrictions are designed into the scheme which would as a consequence disproportionately penalise those without children?
- i) The need to make these savings will impact on those already affected by the housing benefit changes and this will have a cumulative effect on the ability to meet Council tax payments.
- j) There is a danger that incentive within the document for Councils to retain any money not spent from the grant could lead to a managing down of expenditure and acting as a reverse take-up

7.9 Consultation response

The Consultation document is still being assessed by professional bodies most notably the Institute of Revenues, Rating and Valuation and they will be issuing a comprehensive response shortly. It is intended that their response will help inform our own response in light of the issues that have been highlighted above. The Head of Finance will therefore be issuing a response in due course before 14th October.

