

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

INFORMATION

Agenda Item No 18

meeting date: 12 JUNE 2012
title: LOCALISATION OF COUNCIL TAX SUPPORT
submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

1.1 To update members of the current issues with the forthcoming changes to council tax support.

1.2 Relevance to the Council's ambitions and priorities:

- Ribble Valley Borough Council aims to be a well-managed Council providing efficient services based on identified customer needs.

2 BACKGROUND

2.1 As reported to this committee in September 2011 the Government announced in the 2010 Spending Review that council tax benefit will be replaced by local schemes of support for council tax from 2013/14. Crucially funding from the Government to pay for council tax support will be reduced by 10%.

2.2 The Local Government Finance Bill was introduced to Parliament on 19 December 2011 and imposes a duty on billing authorities to make a localised council tax reduction scheme by 31 January 2013 and to consult with major precepting authorities and such other persons as it considers likely to have an interest in the scheme. If a council fails to do this then the Secretary of State will prescribe a 'default scheme'. This will retain the criteria and allowances currently in place for council tax benefit. However such a scheme will not meet the required reduction in funding and therefore mean that a council would need to 'fund' the shortfall from elsewhere.

2.3 Universal Credit (UC) is being introduced in October 2013 and will be administered by the Department for Works and Pensions (DWP). It is central to the Governments plans to radically reform welfare and will replace a number of benefits including Housing Benefit and Income Support. All new claims from that date will be for UC and we will gradually transfer all current Housing Benefit claims to the new system by April 2017. The introduction of the localised Council Tax support schemes will coincide with the launch of the Universal Credit and is in part necessary as a result of the decision not to include Council Tax Benefit in the Universal Credit.

2.4 The Government claims that localising support for council tax will:

- Give local authorities a greater stake in the economic future of their local area and therefore enable stronger, balanced economic growth across the country.
- Provide local authorities with the opportunity to reform the system of support for working age claimants.
- Reinforce local control over council tax.
- Give local authorities a significant degree of control over how a 10% reduction in expenditure on council tax benefit is achieved.

- Give local authorities a financial stake in the provision of support for council tax.

2.5 Whilst the new scheme will be '**local**', the Government has stated that protection must be given to vulnerable people including pensioners. This means that if we were to accommodate the 10% reduction in the overall cost of benefit payments, reductions in payments to other client groups **will be more than 10%**.

3 ISSUES

3.1 Ribble Valley BC currently has a caseload of 2,657 Council Tax Benefit claims (10.7% of our total housing stock). 61% of our current caseload is of pensioner age (comparatively this is one of the highest level in the country) and 11% are in work leaving 28% of working age but not currently in employment. This last category includes amongst others the disabled, the long term sick, single parents as well as the unemployed.

3.2 Ribble Valley BC pays out £2.3m each year in Council Tax Benefit. Under current rules we receive benefit subsidy to cover this expenditure in full from the Government. Due to the proposals however in future we will receive a fixed grant and therefore we will be required to either design a scheme that will reduce expenditure by £230,000 pa or find this reduction on funding elsewhere. Council tax benefit is based on actual and not assumed council tax. An increase in council tax over an assumed level could lead to further pressures on our finances.

3.3 The Government intends that in future support for council tax will be offered as reductions within the council tax system. This means that there will be an impact on the tax base.

3.4 On 18 May the Government published their funding arrangements for consultation and also statement of intent for council tax support. These cover a number of important issues:

4 STATEMENT OF INTENT

4.1 The document provides five policy statements of areas which the Government intend to issue regulations:

- **Requirements to prepare a scheme**

Billing authorities are required to design a scheme and must submit the proposed scheme to public scrutiny or challenge, including consultation with the major preceptors i.e. County, Fire and the Police. If a council adopts a scheme similar to the default scheme it will still have to consult on this. However if the Government has to impose the default scheme there will be no requirement to consult.

- **Transitional arrangements**

To consider applications made before 1 April 2013 for council tax support without the need for a new application to be made

- **Prescribed requirements for pensioners, the default scheme and for all schemes**

All Schemes – A small number of requirements will apply to all schemes mainly affecting people subject to immigration controls. They will also provide people becoming pensioners

The Pensioners Scheme – Applies to those who have reached pension credit age, currently aged 61 however this is gradually increasing. Under this scheme recipients will receive exactly what they would have under council tax benefit.

The Default Scheme – This is essentially the current council tax benefit scheme for working age recipients. If a council adopts it, it will mean that it will have to find the 10% gap from other means such as changes to discounts or exemptions or other savings or income.

- **Adjusting the council tax base**

Currently the regulations do not allow for deductions for CTB. The new requirements will require billing authorities to calculate the council tax base taking into account local council tax support. This will mean that the tax base, for example, will no longer include households such as pensioner households who get 100% council tax support; this will instead be paid for through the new funding arrangements; it will be adjusted for any new income raised through local council tax support schemes.

- **Risk sharing of financial pressures**

This covers financial pressures for example between counties and districts. It provides that if there is a sudden or unexpected increase for council tax reductions billing authorities such as districts could vary the payments they make to major preceptors such as counties to enable them to manage this pressure

5 FUNDING ARRANGEMENTS

- 5.1 The Government consultation paper on funding arrangements states that they intend to base this on 90% of the forecast council tax benefit expenditure for 2013/14. They further propose that funding be distributed between areas in line with shares of CTB expenditure, for example, districts, counties, police and fire bodies in line with their shares of the 2012 council tax.
- 5.2 Whilst we have received notification of indicative grant allocations, the final amounts will be based on revised forecasts of subsidised expenditure to be issued in the Autumn and also 2011/12 outturn data. Our indicative funding allocation is £191,000.
- 5.3 The Government also recognise the impact the changes will have on local precepting bodies (ie parishes). Because the changes will reduce the tax base this would result in a higher Band D council tax if their council tax requirement were to stay the same. They expect billing and local precepting authorities to work together to manage the potential impact on the local precepting authorities Band D council tax levels.

6 JOINT LANCASHIRE SCHEME

- 6.1 A number of meetings have been held to ascertain the options for a potential Lancashire-wide scheme for Council Tax Support.
- 6.2 Initial discussions have focused on adopting a scheme that reduces the amount of Council Tax support by a flat rate that would be applied to all claimants of working age.
- 6.3 This has raised potential problems as the rate would vary substantially according to the Billing Authorities caseload.
- 6.4 To ensure that a 10% saving was made the flat rate reduction would have to be highest in the Ribble Valley as we have the smallest proportion of claimants of working age.
- 6.5 Initial calculations suggest that this would need to be set at least at 25% to ensure that a 10% reduction is achieved.

6.6 A report is currently being prepared for consideration at a meeting of Lancashire Chief Executive's on 1 June 2012. An update will be provided at your meeting of the latest position.

7 VULNERABLE GROUPS AND INCENTIVES TO WORK

7.1 On the 21 May 2012 the Government published two further papers outlining local authorities duties with regard to protecting certain vulnerable groups and Government expectations that local schemes should support work incentives i.e. people should get more overall income in work than out.

7.2 In terms of vulnerability the paper set out local authorities responsibilities under the Equality Act 2010 which requires that when determining a local scheme authorities need to consider how it would affect those with relevant protected characteristics i.e. age (including children and young people), disability, gender reassignment, pregnancy and maternity, race, religion or belief and sex and sexual orientation.

7.3 The paper also refers to the Child Poverty Act 2010 which requires top tier local authorities to work together with their partner authorities to reduce and mitigate the effects of child poverty in their local area. As such the design of any local scheme must take this into consideration.

7.4 Finally, the paper draws attention to the effect local schemes may have on homelessness and the Armed Forces covenant and in particular the obligation that the nation has towards those who receive compensation through the War Pensions Scheme.

7.5 The second paper issued on 21 May deals with Government's expectations that localised schemes should not provide a disincentive to work i.e. local schemes should ensure that there is a clear incentive to work and to earn more when in work.

7.6 Both the protection of vulnerable groups and ensuring that there is an incentive to work mean that in order to achieve a 10% reduction in spending on Council Tax support a much higher deduction will need to be made from those not in the protected categories.

8 RISK ASSESSMENT

- Resources – the funding of support for Council Tax is changing from Annually Managed Expenditure (100%), which is demand led, to a fixed upfront grant. As such the local authority will have to find additional resources if our caseload increases but will benefit if the caseload decreases.
- Technical, Environmental and Legal – the introduction of a localised scheme for Council Tax support is a major change to the benefits system in the UK. Local Schemes may be subject to challenge and therefore it is essential that we undertake a comprehensive consultation process to ensure that our scheme is not subject to challenge.
- Political – the adoption of a local scheme for Council Tax support will result in some current recipients of support having to pay more, which will have political ramifications.
- Reputation – it is essential that we adopt a scheme that is fair and reasonable to ensure that the Council's reputation is upheld.
- Equality and Diversity – any local scheme must take equality and diversity into consideration as made clear by the paper issued on 21 May 2012.

9 CONCLUSION

- 9.1 The introduction of localised schemes for Council Tax support provides a major challenge to the authority.
- 9.2 We have continued to attend meetings to discuss the potential for a county-wide scheme however there are major differences in our claimant groups across Lancashire.
- 9.3 It is essential that decisions regarding the type of scheme that we will adopt are taken shortly to enable consultation to take place with the public and major precepting authorities in order that we can comply with the Government's timetable.

HEAD OF REVENUES AND BENEFITS

DIRECTOR OF RESOURCES

PF27-12/ME/AC
30 MAY 2012

BACKGROUND PAPERS:

A copy of all of the following are available online and in the Members' Room.

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>

- Localising support for Council Tax in England – Consultation
- Localising support for Council Tax in England - Government response to the outcome of consultation
- Localising support for Council Tax – A Statement of Intent
- Localising support for Council Tax – Funding arrangements consultation
- Localising support for Council Tax – Vulnerable people – key local authority duties
- Localising support for Council Tax – Taking work incentives into account

For further information please ask for Mark Edmondson, extension 4504