

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Overview and Scrutiny Management Board
2.	Date:	9th September, 2011
3.	Title:	Localising Support for Council Tax
4.	Directorate:	Commissioning, Policy and Performance

5. Summary

As part of the Government's reform of welfare, they announced that Council Tax Benefit would be abolished and be replaced with new local schemes for support for Council Tax, together with a 10% cut in funding. The Government is now consulting on the new arrangements.

This report raises issues from the "scheme" element of the consultation for consideration by members. A further report on a recommended response will be produced in time for the close of the consultation.

6. Recommendations

That OSMB:

- a) **Note scope of the Localising Support for Council Tax consultation.**
- b) **Comment as appropriate on issues arising from the proposal for local schemes for inclusion in the Council's response to the consultation.**
- c) **Receive a further report on the Council's recommended response to the consultation.**

7. Proposals and Details

The Government announced as part of the Comprehensive Spending Review that Council Tax Benefit would be localised with the amount paid out to be cut by 10%. This consultation sets out how the Government intends to take this forward and invites comments by 14th October. The proposals sit alongside the provisions in the Welfare Reform Bill that will remove the current benefit arrangements for both Council Tax and housing. The Government intends that the new arrangements will be effective from March 2013 and will provide for the changes in a Local Government Finance Bill, to be introduced in the autumn.

Whilst a report will be produced recommending a response to the consultation, this report provides members with a brief overview of the Government's proposals, with a more in depth look at issues potentially arising from the development of a local scheme, as this component will place the most significant policy challenge for the Council.

A brief overview of the key elements of a framework for local support for council tax is as follows:

Scheme

The support for council tax will be delivered through a local scheme adopted by the Council. However, the Government have committed that pensioners will be protected and should not notice any change. The scheme will also need to make provision for vulnerable groups. For working age people, the scheme will be expected to support the Government's approach being taken with Universal Credit, where the benefit acts as an incentive for people to return to work. Other aspects of the scheme include provisions for joint working and managing risk. The Council will be expected to consult on the scheme before bringing it into effect.

Administration

Whilst the Government are promoting localised schemes, they are also looking consistency between schemes including eligibility criteria. This is said to simplify claims for people who move from one authority area to another. The Government propose that support for council tax should be delivered as a new form of council tax discount, which reduces council tax liability once other discounts have been taken into account (single person etc). It is envisaged that arrangements will need to provide for transitional arrangements for claimants and appeals. Other proposals include data sharing, joint working with other councils and dealing with fraud and error. A national single fraud service is to be provided for other benefits and Councils will be expected to collaborate with them in dealing with Council Tax fraud.

Funding

The Government envisages funding to be paid to local authorities in the form of an un-ringfenced special grant. However, in calculating the level of grant to be provided, the Government is considering the options of either providing a grant level over several years or re-assessing the grant level more frequently to more closely align with the actual level of claimants over time.

Administrative costs

The Government states that it does not intend the administration of local schemes to put pressure on local government finances, in line with the new burdens doctrine. However, further detailed work will be required to separate out the administration of Housing Benefit to arrive at a figure.

Transitional and implementation issues

The Government envisages a one-off transition to the localised schemes in April 2013. This is said to minimise processes for both councils and claimant. Questions arise as to whether existing claimants will need to re-apply and what happens to claims that are in process at that time.

Local Scheme

The Government intends to introduce major benefits changes from April 2013 that will create "Universal Credit" for working age people, and remove the current systems for housing and Council Tax benefit. Whilst support for housing will become part of Universal Credit, with arrangements also in place for pensioners, support for Council Tax will be administered by the Council through its own scheme.

There will be arrangements for government funding of the costs of the support and administration. The details of these will be covered in the further report, however, in considering making the local scheme; recognition needs to be given to the Government's intention to cut the amount spent on Council Tax benefit by 10%.

Whilst it will be for the Council to devise and implement a scheme, the Government are setting out objectives to protect low income pensioners; vulnerable groups; and align to Universal Credit, providing an incentive for people to return to work. In the case of pensioners, the Government intends to prescribe the criteria, allowances and support for Council Tax. No other vulnerable groups are specified in the consultation, whilst the Government recognises that there are others who could not be expected to raise their incomes through work.

The requirement for support for Council Tax to support the objectives of Universal Credit, incentivising people to return to work raises issues of compatible entitlement. In particular, the use of tapers for benefit reduction as earnings rises. Currently, housing and Council Tax benefits have a taper of 85% of net earning (meaning for £1 extra net income, the benefits are reduced by 85 pence). The proposed taper for Universal Credit is intended to be about 65%, as single taper replacing current different tapers for benefits and tax credits. The Government views that the 65% taper will provide an incentive for people to move into work, but that maintaining the current taper for Council Tax for low earning workers could act as a disincentive for working at all. To avoid this, the Government is seeking views on establishing one or a combination of the following:

- Guidance on setting taper rates and earnings disregards.
- Guidance on maximum participation tax rates that low earning households should face.
- Guidelines on the treatment of income and earnings to avoid the double counting of different income types.
- Model schemes, demonstrating how this could be achieved.

Local schemes will need to be drawn and consulted on before implementation. In developing a scheme, the Council would be required to take account of:

- Any national framework produced by the Government, including support for pensioners;
- Duties and responsibilities including tackling child poverty;
- Forecast demand and assumptions on take-up; and
- Budget impact including level of government grant, and potential collection fund deficits arising from non-payment where benefit has been reduced or stopped.

The scheme will require consultation before it is adopted, but there is no suggestion from government about the form of this. However, precepting authorities should be consulted, including the sharing of risk between the Council as the billing authority and precepting authorities in relation to Council administered on their behalf.

Revisions to the scheme would require proportionate consultation and could be undertaken on an annual basis, but in year reviews would not be permitted.

Given that the full level of detail to be provided by the government is not yet available, it is difficult to estimate the real impact on the Council or community of the proposed changes, including the 10% cut in financing. However, work is underway to identify the make-up of the Council's current Council Tax Benefit caseload, which would at least help to identify who will be left to feel the impact of the cuts once pensioners and vulnerable groups have been accounted for. As an indication, the Local Government Group (LGG) has modelled the results from a small sample of 8 authorities (a London borough, 3 metropolitan authorities and 4 shire districts).

The results show that:

- 80% of total CTB is paid out to those who receive 100% CTB;
- 35% of total CTB is paid to pensioners;
- If both those on 100% CTB (the vast majority of whom will be in receipt of other benefits) and pensioners are excluded, the 10% cut would be restricted to 9% of the total paid out.

The LGG's view is that this "would clearly be financially impossible".

Furthermore a research paper by Dr Phil Agulnik of "Entitledto" reveals that, based on Department for Work and Pensions figures, the average cut to support for Council Tax for non-pensioners would be an average of 19%. For England, this ranges from 14% to 30%. The figure for Rotherham is 19%.

However, details of the Council's caseload show an increase in the number of pensioners claiming Council Tax Benefit of 2.5% per year over the last two years. Should this trend continue, the cuts required for others would increase year on year.

The questions associated with the scheme component of the consultation are:

- Given the Government's firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?
- What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?

- What, if any, additional data and expertise will local authorities require to be able to forecast demand and take-up?
- What forms of external scrutiny, other than public consultation, might be desirable?
- Should there be any minimum requirements for consultation, for example, minimum time periods?
- Do you agree that councils should be able to change schemes from year to year? What, if any restrictions, should be placed on their freedom to do this?
- How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?

Members are invited to express views on the issues arising for the development and operation of a scheme, including the consultation questions. View expressed will be incorporated into the recommended response from the Council to the Government's consultation.

8. Finance

There will be financial implications arising from the government's proposals. These will be assessed as part of producing the Council's response to the consultation. However, details of the proposed grant are not included in the consultation paper, but are promised in a further technical paper.

9. Risks and Uncertainties

There will be a range of risks associated with the government's proposals. These will be assessed as part of producing the Council's response to the consultation.

10. Policy and Performance Agenda Implications

There are likely to be implications for achieving the policy priorities set out in the Corporate Plan, whilst complying with the national requirements imposed on a local scheme, and remaining within financial limits.

11. Background Papers and Consultation

Source: "Localising Support for Council Tax in England" DCLG August 2011.

Research paper: Dr Phil Agulnik of "Entitledto"

<http://www.solutions.entitledto.co.uk/docs/Localising%20support%20for%20Council%20Tax.pdf>

This report will enable members to contribute to the recommended Council response to the Government's consultation.

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