

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet
2.	Date:	21st September 2011
3.	Title:	Localising Support for Council Tax – Consultation Response
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 now seeks views on the full recommended response from the Council to the Government's consultation.

6. Recommendations

That Approval be given to the Council's recommended response to the consultation as set out in the appendix to this report, taking account of any comments expressed by the Overview & Scrutiny Management Board at their meeting on 23rd September.

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.

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.

Whilst many of the changes relate to finance and administration, it will be the development of the local scheme in the context of a reduced budget that will generate most policy issues.

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.

This report provides the recommended Council response to the consultation including input from:

- Policy Team;
- Finance Services; and
- Revenues and Benefits Service.

The recommended response is attached as an appendix to the report.

8. Finance

There will be financial implications arising from the government's proposals. An assessment of some of the implications are included in the recommended response.

9. Risks and Uncertainties

There will be a range of risks associated with the government's proposals. These have been included in the answers to the appropriate questions in the recommended response.

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

The Overview & Scrutiny Management Board received and commented on a policy overview of this consultation on 9th September. Views expressed have been incorporated in the recommended response. However, owing to meeting dates and the closing date for responses, OSMB will not receive a report on the recommended response until their meeting on 23rd September. Consequently, it is proposed that OSMB be asked to comment further to the decision of Cabinet.

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

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