

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1)	Meeting:	Deputy Leader
2)	Date:	16th April 2012
3)	Title:	Localisation of Council Tax Support (Council Tax Benefit)
4)	Directorate:	Resources

5. Summary

This report sets out the implications of the proposed introduction of a localised Council Tax Support scheme in April 2013. This will be replaced by a locally designed and managed scheme but there will be a 10% reduction in funding for Council Tax Support. In Rotherham's case this would lead to an estimated loss of £2.3m in support for the costs of Council Tax Benefit.

Authorities will have discretion to develop and manage their own scheme of Council Tax support subject to Government guidelines: pensioners will be protected and schemes should be compatible with the Universal Credit and support incentives to work.

The report outlines the main considerations that will have to be taken into account in designing Rotherham's scheme together with the potential risks and uncertainties for the authority. The potential implications for affected claimants are also identified.

6. Recommendations

Cabinet Member is recommended to note:

- **The contents of the report; and**
- **The proposed outline timetable for the development and implementation of localised Council Tax Support.**

7. Proposals and Details

7.1 Background to Localised Council Tax Support (CTS) - Council Tax Benefit (CTB) is an income related benefit administered by local authorities on behalf of the Department for Work and Pensions (DWP). Local authorities are currently fully subsidised by the government for CTB payments.

It is proposed, from April 2013, that CTB will be abolished and replaced by a system of Council Tax Support (CTS), which will be designed and managed locally. Under the new regime, support will take the form of discounts within the Council Tax system rather than benefit payments.

Local authorities will be free to design and administer their own schemes based around broad parameters set by the government. Pensioners will be protected and should see no change in their benefits. Proposals should also support incentives to work delivered through the proposed Universal Credit. However, the grant given to local authorities to fund the new system will be 10% less than for CTB – this is intended to save £0.5bn nationally. **In Rotherham's case this is likely to mean a reduction of £2.3m in available resources to provide Council Tax Support.**

There are suggestions from Government that local authorities may also wish to protect other potentially 'vulnerable' groups from reductions in CTS. For example, The Department for Communities and Local Government (DCLG) has highlighted local authorities' responsibilities under the Child Poverty Act, Disabled Persons Act, the Chronically Sick and Disabled Persons Act and the Housing Act.

7.2 Implications for Rotherham - The estimated total cost of CTB for 2011/12 is £22.6m. As stated, a 10% grant reduction therefore equates to £2.3m, which will fall on Rotherham Council Tax payers.

The proposals include protection for pensioners (who will face no reduction in the support they receive). Currently, of the 29,909 CTB claimants in Rotherham, 44.9% are classed as pensioners. Protecting pensioners would therefore mean an 18.2% reduction in support for other claimants. This is without protecting any other vulnerable groups.

In addition to the reduction in grant to fund future Council Tax Support payments, the Council will have an additional administrative burden which has been recognised by Government under the "New Burdens Doctrine". Outline details indicate that the Council will receive a grant (likely to be about £80,000) to fund the introduction of a new, local scheme.

It is estimated that these proposals combined with the proposed overhaul of the Government's welfare system (excluding housing) could reduce incomes across the borough by £30m per year.

7.3 Implications for Claimants - the initial assessment of how the reduction in support for claimants will take effect suggest that under the new regime working age CTS claimants will, on average, have to pay £132.05 in Council Tax annually from April 2013. The protection of vulnerable groups other than pensioners will further increase the payable amounts for other working age CTS claimants.

7.4 The considerations for a local scheme - the Council needs to determine its approach to the introduction of a local CTS scheme. Within this, there is a range of policy options to consider:

Will the Council have a stand alone scheme or participate in a regional/sub regional scheme with neighbouring authorities? - the proposed legislation includes provision for authorities to work together to develop and operate a shared scheme. Such an approach would ensure consistency between authorities and could result in cost savings. A joint scheme would however, reduce an authority's freedom to tailor proposals to its local situation and caseload and could therefore not deliver the necessary 10% reduction for all participating authorities.

In addition, within any scheme the Council will have to decide:

- Whether it will implement the 10% reduction in full or provide a top up from its own resources?
- Whether any groups other than pensioners will be protected? Options could include those with disabilities or dependants however the more groups who are protected will result in larger Council Tax bills for those who are not protected
- Whether benefit rates should be restricted based on Council Tax Band e.g. no benefit paid above Band D tax levels? However, it is anticipated that a large proportion of the claimants in the higher banded properties are owner/occupier pensioners and will as such be protected from the effects of the changes.
- The treatment of issues like Second Adult Disregard, client capital and savings, earnings and other benefits income?
- How the scheme will help incentivise claimants into work?
- How it will handle claimant CTS appeals?
- How it will tackle and minimise the risk of fraud and error, particularly if, as proposed, the responsibility for this transfers to the DWP Single Fraud Investigation Service?

7.5 The plan for Rotherham - a multi disciplinary project team is being set up to work on the development and introduction of Rotherham's CTS scheme.

The Council's software supplier Northgate have produced a Financial Modelling tool (using live data from the Council's current benefits caseload) which will allow the development of a number of scheme options that will deliver the 10% cost reduction. The software will be installed on 14th April 2012 and modelling work will be commenced immediately.

Appendix A (attached) gives a proposed outline timetable for the introduction of CTS in Rotherham which is based on the Government's expected legislative timetable. The dates and actions will become more specific as the project develops and the legislation is passed.

8. Finance

Clearly the proposal has significant financial implications for the Council. As indicated, support for Council Tax will be reduced by 10% - £2.3m.

The Government is proposing to allocate the Council with an additional grant allocation to cover the expected costs of introducing a new, local Scheme. The value of the grant is expected to be circa £80,000.

9. Risks and Uncertainties

9.1 Funding for the scheme – there is currently considerable uncertainty about the level and distribution of government support to authorities which is outlined in section 8 above. As the position is clarified further details will be reported to members

9.2 Council Tax Collection Rates - the proposals transfer the risks associated with Council Tax Benefit from central government to local authorities with implications for the Council Tax Collection rate. Based on current figures an additional £2.3m extra Council Tax will have to be collected from claimants in order to maintain collection rates at present levels. £2.3m is broadly equivalent to 2.5% on the collection rate. There is also likely to be an increase in the cost of collecting Council Tax as a result of an increase in debt recovery activity workloads.

9.3 Fluctuations in Caseload – the economic downturn has resulted in a steady increase in CTB claims (this year the rise has been 2.9%) and there is no sign that this trend will change in the near future. Under the new scheme consideration will need to be given to potential in year fluctuations in demand for Council Tax Support. Some local authorities have already signalled the possibility of setting aside contingency funds to minimise the impact of a potential increases in year demand.

9.4 Other Risks – authorities and groups like SIGOMA have expressed concerns that the time allowed for devising, consulting upon and implementing an effective CTS scheme is a very short and challenging.

Aside from the major risks outlined above there remain many technical issues to resolve during the next year so as to ensure that financial systems are able to process CTS in accordance with a new local scheme.

The success of the scheme has reputational implications for the Council particularly if it comes under challenge resulting in judicial review.

10. Policy and Performance Implications

As indicated the proposals could have an adverse effect on the levels of Council Tax collection in the Borough.

11. Background Papers and Consultation

- DCLG - Consultation on Localising Support for Council Tax – 2nd August 2011
- DCLG – Outcomes of Consultation on Localising Support for Council Tax – 16th December 2011
- Local Government Finance Bill 2011

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